

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA

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In Re:) Case No. 19-30088
) Chapter 11
PG&E CORPORATION AND PACIFIC)
GAS AND ELECTRIC COMPANY) San Francisco, California
) Wednesday, May 22, 2019
Debtors.) 9:30 AM
)

MOTION OF THE UNITED STATES
TRUSTEE FOR ORDER APPOINTING
FEE EXAMINER AND ESTABLISHING
PROCEDURES FOR CONSIDERATION
OF REQUESTED COMPENSATION AND
REIMBURSEMENT OF EXPENSES
[1370];

DEBTORS' MOTION PURSUANT TO
FED. R. BANKR. P. 9006(B) AND
9027 ENLARGING THE TIME
WITHIN WHICH TO FILE NOTICES
OF REMOVAL OF RELATED
PROCEEDINGS [1738];

APPLICATION OF DEBTORS
PURSUANT TO 11 U.S.C.
SECTIONS 327(A) AND 328(A)
AND FED. R. BANKR. P. 2014(A)
AND 2016 FOR AUTHORITY TO
RETAIN AND EMPLOY LAZARD
FRERES & CO. LLC AS
INVESTMENT BANKER TO THE
DEBTORS EFFECTIVE AS OF THE
PETITION DATE [891];

MOTION PURSUANT TO 11 U.S.C.
SECTIONS 105(A) AND 363(B)
AND FED. R. BANKR. P. 2002
AND 6004(H) FOR AN ORDER (A)
AUTHORIZING DEBTORS TO
ESTABLISH AND FUND PROGRAM TO
ASSIST WILDFIRE CLAIMANTS
WITH ALTERNATIVE LIVING
EXPENSES AND OTHER URGENT
NEEDS AND (B) GRANTING

1 RELATED RELIEF ("WILDFIRE
2 ASSISTANCE PROGRAM MOTION")
3 FILED BY PG&E CORPORATION
4 [1777];

5 CORRECTED MOTION OF DEBTORS
6 PURSAUNT TO 11 U.S.C. SECTION
7 1121(D) TO EXTEND EXCLUSIVE
8 PERIODS ("EXCLUSIVITY
9 MOTION") FILED BY PG&E
10 CORPORATION [1797];

11 MOTION OF DEBTORS FOR ENTRY
12 OF ORDER PURSUANT TO 11
13 U.S.C. SECTION 365(D) (4) AND
14 B.L.R. 6006-1 EXTENDING TIME
15 TO ASSUME OR REJECT UNEXPIRED
16 LEASES OF NONRESIDENTIAL REAL
17 PROPERTY ("LEASE EXTENSION
18 MOTION") FILED BY PG&E
19 CORPORATION [1805];

20 APPLICATION PURSUANT TO 11
21 U.S.C. SECTIONS 327(A) AND
22 328(A) AND FED. R. BANKR. P.
23 2014(A) AND 2016 FOR
24 AUTHORITY TO RETAIN AND
25 EMPLOY PRICEWATERHOUSECOOPERS
LLP AS MANAGEMENT, TAX, AND
ADVISORY CONSULTANTS TO THE
DEBTORS NUNC PRO TUNC TO
PETITION DATE FILED BY PG&E
CORPORATION [1791];

APPLICATION PURSUANT TO 11
U.S.C. SECTION 327(A) AND
FED. R. BANKR. P. 2014(A) AND
2016 FOR AUTHORITY TO RETAIN
AND EMPLOY COMPASS LEXECON,
LLC AS ECONOMIC CONSULTANTS
TO THE DEBTORS NUNC PRO TUNC
TO THE PETITION DATE FILED BY
PG&E CORPORATION [1756];

APPLICATION OF THE OFFICIAL
COMMITTEE OF UNSECURED
CREDITORS FOR ENTRY OF AN
ORDER PURSUANT TO 11 U.S.C.
SECTIONS 328(A) AND 1103 AND

FED. R. BANKR. P. 2104(A) FOR
AUTHORIZATION TO RETAIN AND
EMPLOY FTI CONSULTING, INC.
AS FINANCIAL ADVISOR NUNC PRO
TUNC TO FEBRUARY 12, 2019
[1212]

TRANSCRIPT OF PROCEEDINGS
BEFORE THE HONORABLE DENNIS MONTALI
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

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1 SAN FRANCISCO, CALIFORNIA, WEDNESDAY, MAY 1, 2019, 9:31 AM

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3 (Call to order of the Court.)

4 THE CLERK: All rise. Court is now in session. The
5 Honorable Dennis Montali presiding.

6 THE COURT: Morning. Did you see this? We have
7 standing, sitting. Most people sitting. The people who are
8 standing, you're welcome to stand, but you're also welcome to
9 go to the overflow courtroom. We have some housekeeping
10 matters this morning, and before we come to the motion that
11 will probably get more attention, you're free to come back in.
12 But if you want to stand, that's okay, too, but don't stand in
13 front of other people that are trying to look. That's my only
14 request.

15 THE CLERK: Matter of PG&E Corporation.

16 THE COURT: Morning, Mr. Karotkin.

17 MR. KAROTKIN: Morning, Your Honor.

18 THE COURT: Do you mind if we take care of the
19 housekeeping matters before -- I mean, the uncontested matters?
20 Or -- is that right?

21 MR. KAROTKIN: Correct, sir. Yes, thank you, sir.

22 THE COURT: I can go through the --

23 MR. KAROTKIN: Stephen Karotkin -- sorry.

24 THE COURT: Yeah. Go ahead.

25 MR. KAROTKIN: Weil -- for the record, Stephen

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1 Karotkin, Weil, Gotshal & Manges for the debtors.

2 THE COURT: So I think I can just dispose of several
3 of them --

4 MR. KAROTKIN: Sure.

5 THE COURT: -- right down my list unless you want to
6 do it a different way.

7 MR. KAROTKIN: Nope. Nope.

8 THE COURT: I mean, not exactly on the calendar is the
9 stipulation between the unsecured creditors and the tort
10 committee on -- with Epiq. That's fine. I'm happy with that.
11 I appreciate the way it was worked out.

12 MR. FELDMAN: Your Honor, I apologize for interrupting
13 so early. This is Matthew Feldman from Willkie Farr &
14 Gallagher on behalf of the ad hoc committee of subrogation
15 claims.

16 THE COURT: Yes, sir.

17 MR. FELDMAN: Your Honor, we have no objection to that
18 stipulation, but we would ask that if there's going to be an
19 order approving it separate from the stipulation, that it be
20 settled, including with us. There are some factual assertions
21 made in some of the pleadings that we wouldn't necessarily
22 share. We didn't want to burden the record with an objection,
23 but we would not want any findings of fact to be contained in
24 any final order on that.

25 THE COURT: Well, I'm not a fan of extra findings of

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1 fact. Your term "settled" is kind of a New York term, but
2 we'll -- that's fine. You should -- you'll get a chance to
3 look at the proposed order submitted by counsel. So that --

4 MR. FELDMAN: Thank you, Your Honor.

5 THE COURT: That takes care of that one. On the
6 following matters, we'll dispose of them without any
7 discussion.

8 There's a motion for extending the time for notices of
9 removal of related proceedings. There was an objection by one
10 creditor. I'm not going to take time with that objection. I'm
11 going to overrule it. It's not really going to the merits. So
12 that motion will be granted. And Mr. Karotkin, you can go
13 ahead and see to it that we get the order on that.

14 MR. KAROTKIN: Yes, sir. Thank you.

15 THE COURT: Similarly, on the motion for extension of
16 leases, a similar objection by the one creditor group, the
17 Singleton Law Firm. Again, it doesn't -- their objection is
18 noted, but it's not going to the merits. And there's not
19 purpose to be served by taking time on it, so I'll overrule
20 that objection. Again, I'm not overruling it in the sense that
21 I'm insensitive to it. I'm overruling because it's simply not
22 relevant to that motion.

23 On the professionals, there appear to be no objections
24 to the Lazard Freres application, and I'm satisfied with that.
25 I'll approve that one.

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1 On the FTI and Compass Lexecon, I appreciate the
2 United States Trustee and the tort committees coming to a
3 resolution of that, and that's a good result. And I will agree
4 that I have no objection if the debtor chooses to withdraw the
5 Compass Lexecon application so that -- if the employment of
6 that organization is consistent with the debtors' wishes but
7 without a formal order under Section 327.

8 But I have a request for both Compass Lexecon and FTI,
9 and I would appreciate -- and I read carefully the thoughtful
10 statements by counsel for both parties and the expressions of
11 response to the questions I raised and others. I would like an
12 officer or a responsible person of each of those two entities
13 just to file a simple statement that, on behalf of his or her
14 respective organizations, they adopt the arguments of their
15 counsel and comply with them or agree to -- I'm not going to
16 make it formal like agree to be bound, just they acknowledge it
17 and they will act consistently with that. That shouldn't be a
18 problem.

19 MR. KAROTKIN: Counsel has nodded their heads.

20 THE COURT: Fine.

21 MR. KAROTKIN: I'll note that on the record.

22 THE COURT: What? Heads or head?

23 MR. DUNNE: Heads. For FTI --

24 MR. TOGUT: I'll say formally. Al Togut, Togut, Segal
25 & Segal for Compass. That's fine with us.

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1 THE COURT: Okay. Fine. And I'm sure that's -- if
2 FTI has an objection, they can be heard.

3 MR. DUNNE: It's fine with FTI as well, Your Honor.

4 THE COURT: I didn't think so. On the motion for fee
5 examiner, is Prof. Markell either here -- I don't see him -- or
6 in the courtroom? Oh, his counsel.

7 MR. MCNUTT: Morning, Judge Montali. Scott McNutt
8 appearing on behalf of Prof. Bruce A. Markell.

9 THE COURT: So is he on the phone today?

10 MR. MCNUTT: He's not on the phone today. He's at the
11 ALI and is --

12 THE COURT: I don't care where he is. He's not here.
13 I have a couple questions for him, though.

14 MR. MCNUTT: Okay.

15 THE COURT: And I would -- I mean, I'm not resisting
16 the motion, and I will grant.

17 I wanted him to explain, not only for my benefit, for
18 nonlawyers or others who are monitoring this proceeding, to
19 explain in layman's terms, in a few words, what he is actually
20 going to be doing. And Mr. McNutt, I have to then add, and why
21 does he need counsel? So I will take it as a brief written
22 statement from him. And again, I don't intend to deny the
23 request. I don't intend to say that you can't act as his
24 counsel. But I'd like an explanation of why a fee examiner
25 needs counsel. And more importantly -- and really, I don't --

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1 I know Prof. Markell. He is a scholar. He probably could
2 knock out a fifty-page law review if I asked him to. I'd like
3 about three paragraphs of what he envisions and how he
4 envisions carrying out his duties. And as soon as I see that,
5 I intend to sign the order. Okay?

6 MR. MCNUTT: Very good, Your Honor. May I intrude a
7 couple of questions?

8 THE COURT: Sure.

9 MR. MCNUTT: Or observations. He will do that, and I
10 believe it will be to your satisfaction. As soon as this
11 motion was filed, Prof. Markell started working. First, he
12 hired an analytics firm.

13 THE COURT: Well, I know that. He made that -- I
14 mean, that's explained in his papers.

15 MR. MCNUTT: I'm just explaining. I don't want
16 anything from the Court. I just want to say what we've done
17 and what we intend to do in the next few days.

18 THE COURT: Okay.

19 MR. MCNUTT: He's hired a data analytics firm. I hope
20 I can tweak with the U.S. Trustee the order so that the debtor
21 can immediately pay the start-up costs Prof. Markell requires
22 to get moving. He spent considerable time drafting the
23 protocol, which is the core controlling document --

24 THE COURT: Uh-huh.

25 MR. MCNUTT: -- of his employment. The U.S. Trustee

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1 has looked at that, has made some comments. They've been
2 incorporated. It's Prof. Markell's hope that this can be a
3 cooperative and constructive process, and he hopes he can have
4 a meeting where he distributes the protocol and discusses it
5 with counsel, whose fees will be reviewed. He hopes he can do
6 that in the next few days.

7 There will then follow a motion to amend the interim
8 procedures order to incorporate the protocol so that there's
9 one --

10 THE COURT: Do you mean to amend our case procedures
11 order?

12 MR. MCNUTT: It'd be --

13 THE COURT: Or a separate order?

14 MR. MCNUTT: The procedures order regarding payment of
15 interim compensation --

16 THE COURT: Oh, okay. Fine. All right.

17 MR. MCNUTT: -- so that there's one self-executing
18 document.

19 THE COURT: You don't need to file a formal motion.
20 If the U.S. Trustee signs off on modification of that, that's
21 fine. I mean, again, the U.S. Trustee is here, your
22 counterparty here. So if the --

23 MR. MCNUTT: Well, I -- I'm sorry, Your Honor.

24 THE COURT: If the U.S. Trustee is satisfied with
25 whatever changes you and Prof. Markell wish to make and the

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1 debtors and anybody else wants to be heard on, and the U.S.
2 Trustee approves it, that's fine with me.

3 MR. MCNUTT: And we --

4 THE COURT: I'm just saying we don't have to wait with
5 a calendar item. It can just be done an ex parte basis.

6 MR. MCNUTT: And then we can submit an amended order.

7 THE COURT: Yeah. Yes.

8 MR. MCNUTT: Okay, Your Honor.

9 MR. KAROTKIN: Your Honor, we, of course, would like
10 to have a look at that.

11 THE COURT: Right. Absolutely. Yeah. The debtor --
12 obviously, the debtor but the committees, the two
13 committees should be consulted on anything like that. And
14 that's not to say that there aren't other professionals, but we
15 can't take time to have them all. The principal players should
16 just sign off on any revision to that order.

17 MR. MCNUTT: I'm feeling the Court's pressure to move
18 on.

19 THE COURT: No.

20 MR. MCNUTT: I want to state more clearly, Prof.
21 Markell wants this to be a cooperative process. He intends to
22 circulate this protocol to all the principal law firms and the
23 committees, solicit their input, and maybe even hold a meeting
24 or two to get their input before it becomes a final document.
25 That's his objective.

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1 THE COURT: Okay. But I mean, I hope it will be done
2 by telephone conference or something and not huge expense. We
3 don't want professionals flying across the country to have a
4 meeting to talk about how to be efficient in being
5 professionals. Right?

6 MR. MCNUTT: Prof. Markell is acutely aware of that
7 and wants to do it in the most time-efficient and inexpensive
8 way possible.

9 THE COURT: Okay. Anything else? Thank you.

10 MR. MCNUTT: Thank you, Your Honor.

11 THE COURT: All right. I look forward to seeing a
12 brief statement from him and the order authorizing employment,
13 and then we'll deal with the other matter later.

14 MR. MCNUTT: Very good, Your Honor. Thank you.

15 THE COURT: Okay. The next on my list is the
16 PricewaterhouseCooper's -- I'm not -- motion. I'm not aware of
17 any objections to that. The only thing that I need corrected
18 in that is to make sure that the order is consistent with the
19 other orders for other professionals that does not include -- I
20 mean, it needs to exclude negligence from the indemnity
21 provision, the same way it's been done in all the other orders.

22 MR. KAROTKIN: Yes, sir.

23 THE COURT: I presume that's not a problem. If it is
24 a problem, I guess I won't be signing the order. And then the
25 last one --

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1 MR. KAROTKIN: It's certainly not a problem for me.

2 THE COURT: I didn't think so. And the last thing --
3 and we've already dropped this from calendar, but in case
4 there's anyone on the phone or in court who expected to be
5 heard on the motion to remand the adversary proceeding in the
6 JH Kelly matter v. AECOM, if there's no -- we've taken that off
7 calendar, so we're done.

8 And that leaves the two remaining ones. And Mr.
9 Karotkin, I'll leave it to you to decide and let me know how
10 you want to proceed. We have exclusivity and the wildfire
11 assistance program. Which way do you want to go?

12 MR. KAROTKIN: We would start with the exclusivity
13 motion, sir.

14 THE COURT: Okay. Well, let's just ask -- I mean, I'm
15 familiar with it, and I presume some of you are aware of what
16 I've done with the exclusivity motion in the prior case; if
17 you're not, you should be. But Mr. Karotkin, you don't
18 disagree, do you, that if I -- whether I grant an extension of
19 four months or seventy-five days or six months, there can
20 always be a motion to shorten that time and the debtor has a
21 right to be heard? But I can ultimately shorten it back down
22 again if there's a reason to. You don't disagree with that, do
23 you?

24 MR. KAROTKIN: That is exactly what the statute says.

25 THE COURT: Well, that's what I think. But I -- but

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1 also, I think that way back when, when this provision went into
2 law, there was some confusion at some courts about whether you
3 could shorten it, lengthen it, lengthen again. Of course,
4 you'll recall that the law changed and, in the 2001 PG&E case,
5 there wasn't the 180 --

6 MR. KAROTKIN: Right.

7 THE COURT: -- I mean the year-and-a-half deadline
8 that's on there now. So --

9 MR. KAROTKIN: In fact, Your Honor, the order -- the
10 proposed order that we submitted expressly provides for what
11 you just said.

12 THE COURT: Yeah, I don't always get to the proposed
13 orders to prepare for these motions, because sometimes they
14 change so quickly. But I appreciate that you're acknowledging
15 what I believe to be the law.

16 And so the question is, therefore, really to hear from
17 the objectors as to why it's so important to them to either
18 reduce the time or to eliminate the time. I understand the
19 debtors' position and you don't need to explain it. If you
20 want to make some comments or whatever, I'll certainly be happy
21 to hear from you. And I --

22 MR. KAROTKIN: Well --

23 THE COURT: -- I did read your response to the --

24 MR. KAROTKIN: And --

25 THE COURT: -- objections.

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1 MR. KAROTKIN: I -- I'll save my time for response,
2 then, Your Honor. I think that you really did put your finger
3 on it. And I think that, as we said in our pleadings, there
4 are two fundamental gating items here; one is the
5 legislation -- the legislative and regulatory relief that is
6 critical to any plan process, as the governor acknowledges
7 quite explicitly in his pleading, as well as dealing with the
8 wildfire claims and the aggregate liability that has to be
9 addressed in a plan. Two fundamental gating items to the plan
10 negotiation formulation and filing process.

11 You, Your Honor, yourself has noted -- have (sic)
12 noted, I think every time we've been in this courthouse, the
13 size and complexity of these cases. We think that the
14 requested extension recognizes the reality of these cases. We
15 think it's appropriate. Again, as you noted, people are free
16 to come in at any time and file a motion to shorten that time.

17 We believe that that is a realistic time frame. In
18 fact, if you look at what the governor said, legislation, if at
19 all, is not going to be considered until sometime this summer.
20 And I would say, if you were to look at what happened with 901,
21 that was very, very late -- SB-901, very, very late in the
22 legislative --

23 THE COURT: Right. Right.

24 MR. KAROTKIN: -- process, well into September, the
25 governor suggesting an extension of seventy-five days, which

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1 doesn't really even get us there, to where we need to be to
2 really in earnest engage in the plan negotiation and
3 formulation process.

4 And with respect to the claims, as you yourself know,
5 the campfire was very recent. The claims information has not
6 been developed with respect to not only the campfire but
7 largely with respect to the September -- I'm sorry, the fall
8 2017 fires as well. Yes, there is a database that the
9 plaintiff lawyers have told us they prepared with respect to
10 the 2017 fires. So far, they're not willing to give us access
11 to that.

12 We have filed a motion to establish a bar date for
13 September 19th and to get additional claims information with a
14 proposed form that we are asking the Court to consider. The
15 tort committee and the plaintiff lawyers are resisting that as
16 well.

17 I will say, Your Honor, that we do have a meeting
18 scheduled with them after this court hearing today, to speak
19 with them about the bar date and the information necessary to
20 move forward and to get these cases to a point where a feasible
21 plan can be confirmed and proposed. And I'm hopeful we can
22 make progress with them. But to date, there is a total lack of
23 information sufficient to even move forward with them on the
24 negotiation process.

25 Now, I will note that we have moved forward in the

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1 mediation process with the public entities and with the
2 subrogation claimants, whose claims information is much, much
3 more advanced. The subrogations know exactly how much -- the
4 subrogation claimants know exactly how much they have paid, so
5 we can have more substantive discussions with them. And the
6 public entities have a much greater fix on the potential
7 liability that they believe the debtor's liable for. That's
8 not the case with the plaintiffs, and they have acknowledged
9 that to us.

10 We want to work with them to try to get that
11 information on a consensual basis. And again, as I said, we're
12 meeting with them this afternoon to try to make progress in
13 that regard; if not, we will be back before you. There is a
14 hearing on the bar date, on June 11th.

15 THE COURT: Right.

16 MR. KAROTKIN: But again, the earliest a bar date will
17 be established in these cases is in September. And as we said
18 in our pleadings and as I emphasize again today, we're trying
19 to be realistic here about an appropriate extension.
20 Shortening the bar date is not going to cause the legislature
21 or the CPUC to do anything; I can assure you of that.
22 Shortening the bar -- I'm sorry, not -- shortening the
23 exclusive period is not going to cause them to act more
24 quickly. And really all that's going to result in, Your Honor,
25 is additional motion practice in this court to extend it.

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1 So I think, again, what you said is directly on point.
2 If they think we're not making progress, if they think we're
3 not acting appropriately, if they think we're bad actors during
4 the Chapter 11, they can come back before you.

5 THE COURT: One of the things that I found frustrating
6 a long time ago as a lawyer is, when judges complained to me, I
7 haven't seen you lately, why isn't anything going on -- and I
8 was very frustrated because lots of things go on, but not in
9 front of the court. And you just made reference to subrogation
10 claimants and public-entities claimants. That's all going on
11 behind the scene. There's been nothing before me; right?

12 MR. KAROTKIN: Well, because that's being done on a --

13 THE COURT: And that's --

14 MR. KAROTKIN: -- that's all subject to
15 confidentiality.

16 THE COURT: And that's the way it should be.

17 MR. KAROTKIN: Yes.

18 THE COURT: I'm just confirming that you just made
19 reference to two processes that are underway, that you know
20 well, and many others, but I don't and the public perhaps
21 doesn't.

22 Why don't you say one thing for me; I think I know the
23 answer, but I'd like it for the benefit of your opponents here
24 today, and the public. And that is this: what is the risk to
25 your clients if I terminate exclusivity or break it at this

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1 point?

2 MR. KAROTKIN: Well --

3 THE COURT: What -- in other words, I have the word
4 "optics", but there are optics in this case. So what does it
5 mean to you, as principal counsel, if all of a sudden
6 exclusivity is terminated?

7 MR. KAROTKIN: Your Honor, one thing I think you've
8 noted is that, since the inception of these cases -- and in
9 fact, we have to give two weeks' notice before we --

10 THE COURT: I know.

11 MR. KAROTKIN: -- file these cases.

12 THE COURT: And FERC --

13 MR. KAROTKIN: We had the --

14 THE COURT: -- appreciated that; didn't it?

15 MR. KAROTKIN: That was a unique circumstance; let's
16 put it that way.

17 We have made enormous strides in stabilizing the
18 business operations, getting the necessary financing, dealing
19 with our business partners, getting back trade credit, and
20 addressing those issues that are fundamental to ongoing
21 operations. If you were to terminate exclusivity, that would
22 be a fundamental crisis in confidence as to where these cases
23 were going: have the debtors lost control, what's going to
24 happen, what will happen with the DIP facility, will that cause
25 a default, will there be a run on the bank because of that

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1 uncertainty.

2 The debtors are entitled, under Section 1121, Your
3 Honor, to an opportunity to propose a plan; a reasonable
4 opportunity to do so. Terminating exclusivity will deprive
5 them of that opportunity.

6 THE COURT: Well, I mean --

7 MR. KAROTKIN: But --

8 THE COURT: -- again, I want to distinguish between
9 what will really happen and what will the perception be,
10 because --

11 MR. KAROTKIN: And I --

12 THE COURT: -- I can't --

13 MR. KAROTKIN: Well, Your Honor, you know that you'll
14 be faced with a chaotic situation. The worst thing that can
15 happen in a case is competing plans. I don't know if you've
16 ever been involved with that.

17 THE COURT: Did you know what I did in the first case?

18 MR. KAROTKIN: That you -- after a while, yes, you
19 terminated and there were --

20 THE COURT: And allowed a --

21 MR. KAROTKIN: -- competing plans.

22 THE COURT: -- competing plan to be filed.

23 MR. KAROTKIN: After a while.

24 THE COURT: Four months. One extension.

25 MR. KAROTKIN: Okay, well, again, people are free to

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1 come in at any time.

2 THE COURT: No, I understand.

3 MR. KAROTKIN: But I think the debtors are -- in a
4 case like this, the debtors are entitled to, at the very least,
5 an initial extension --

6 THE COURT: No, Mr. Karotkin --

7 MR. KAROTKIN: -- particularly --

8 THE COURT: -- excuse me; I'm not trying to say I'm
9 just going to do what I did before. What I'm telling you is
10 really I'm agreeing with you. I was persuaded in the prior
11 case, only when a creditor with standing, with an outline of a
12 real plan, not some crazy pie-in-the-sky concept -- and I
13 extended -- or broke the exclusivity for that creditor. And we
14 had a hearing when that creditor showed me why it thought its
15 plan could get past -- out of the -- out of the starting gate.
16 And that's what happened.

17 And so my question to you is, then, if we did it now,
18 wouldn't you be faced with that -- a crisis of competence and
19 perhaps the need to fend off plans that don't have a hope of
20 ever getting past the -- getting to first base?

21 MR. KAROTKIN: Yes, well, I thank you for that because
22 I think that it's absolutely clear that nobody can file a
23 feasible plan, nobody, until -- what the governor himself
24 acknowledges is that the legislative reform and the regulatory
25 reform is enacted so that people dealing with this company know

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1 the risk profile they're dealing with --

2 THE COURT: Well, I know what you agree --

3 MR. KAROTKIN: -- so that --

4 THE COURT: But isn't it true, if the legislature
5 takes a term and goes off in a different direction, you just
6 have to deal with it that way?

7 MR. KAROTKIN: Again, and then --

8 THE COURT: That's their --

9 MR. KAROTKIN: -- hopefully we will --

10 THE COURT: That's the legislature's decision.

11 MR. KAROTKIN: Exactly. But hopefully the governor's
12 commitment to finding a solution to the problem that'll assure
13 this debtor's -- not only this debtor's long-term viability but
14 the other utilities' --

15 THE COURT: Other debtors'. Um-hum.

16 MR. KAROTKIN: I think that, until we have more
17 clarity on that, nobody can propose a plan that's feasible
18 here.

19 As the governor said in the task force, it's an
20 untenable situation we're faced with -- those were his words:
21 an untenable situation -- that PG&E and the other utilities are
22 faced with, that has to be addressed if the utilities in this
23 state will be able to operate effectively and attract the
24 capital they need not only for operations but to address the
25 wildfire risk going forward.

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1 THE COURT: Okay. We have oppositions from the TCC,
2 from the governor's office, from official creditors' committee,
3 from, I guess, the City of San Francisco. And Joanne (ph.),
4 why don't I go down with the people who are sort of in the
5 debtor's camp. Is anyone from the -- counsel for the governor
6 wish to be heard? And if you don't want to be heard, that's
7 okay, but -- here. Good morning.

8 MR. FRIEDMAN: Good morning, Your Honor. Peter
9 Friedman from O'Melveny & Myers --

10 THE COURT: Good morning, Mr. Friedman.

11 MR. FRIEDMAN: -- on behalf of Governor Newsom's
12 office. Your Honor, my pro hac is pending but has not been
13 granted.

14 THE COURT: We're not worried about it.

15 MR. FRIEDMAN: Thank you, Your Honor. Your Honor, the
16 governor has a broad array of policy concerns that are bigger
17 than PG&E. But as Mr. Karotkin addressed, PG&E's bankruptcy
18 obviously implicates those concerns; I think the Court knows
19 what they are: fair treatment of victims; assuring safe and
20 reliable service; addressing climate change; meeting renewable
21 goals. And I think everybody in the case has acknowledged that
22 in some way the government's approach to these macro issues are
23 going to define the options for PG&E. But I think it's
24 important to be really clear that a public-policy solution does
25 not involve bailouts or letting PG&E stakeholders -- and its

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1 stakeholders walk away from the damage that's already been
2 done. Equity holders and other financial parties are going to
3 need to bear the consequences of their investment decisions and
4 the actions of the utility.

5 Mr. Karotkin also mentioned the governor is working
6 on -- with the state legislature to address a different
7 framework for how California deals with wildfire liability,
8 going forward. It started that on day one. Think the hope is
9 to propose legislative solutions over the summer.

10 And I think with that background, Your Honor, I
11 turn -- just want to turn specifically to the motion. And I
12 think our concern -- we understand the issue of not terminating
13 exclusivity in its entirety today. We don't think that's
14 warranted. But we do think that the best approach is not to
15 force -- whether it be the governor or a creditor with a plan,
16 or some other party, to come to court to force, I think, the
17 potentially more disruptive issue of an immediate fight over
18 termination of exclusivity, but rather to have the debtors
19 continue to have to be accountable, which is why we've asked
20 for --

21 THE COURT: Well, why -- again, I don't mean to
22 challenge you on this, but where does it follow that the
23 debtors aren't accountable just because of the exclusivity
24 issue?

25 MR. FRIEDMAN: So --

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1 THE COURT: And you, better than I, and lots of the
2 players here know what's going on behind the scenes or outside
3 of the courtroom.

4 MR. FRIEDMAN: Your Honor, we do think --

5 THE COURT: Where's the lack of accountability?

6 MR. FRIEDMAN: Your Honor, we do think part of -- part
7 of it is the issue you talked about: public optics.

8 THE COURT: Um-hum.

9 MR. FRIEDMAN: And we think the debtors need to show
10 to the public more of what's going on, what's being done,
11 progress towards quantifying wildfire liability, which is as
12 much a gating issue, if not more, of a -- as a legislative
13 solution to go-forward issues. And we need to understand the
14 nature of the economic problem. And I think, whether it be
15 seventy-five days or ninety days, the more the Court knows and
16 the more the public knows on a specific timetable -- and
17 parties-in-interest know on a specific timetable, the more the
18 Court can assess whether it's ripe to limit the debtors'
19 exclusivity or cut off the debtors' exclusivity.

20 We're asking for a status check as opposed to, as I
21 said, the disruptive nature necessarily of seriatim motions to
22 terminate exclusivity.

23 THE COURT: Right.

24 MR. FRIEDMAN: That may be appropriate, but we think
25 the more appropriate manner right now is to say, okay, Debtors,

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1 tell us where you are in seventy-five days.

2 THE COURT: You're aware, I take it, what I've done --
3 what I did in the prior case; right?

4 MR. FRIEDMAN: Yes, Your Honor.

5 THE COURT: I made it -- I made sure that there was a
6 possible viable alternative, not somebody that just decides to
7 take a run at it. And this case doesn't need frivolous motions
8 filed by people that haven't a clue on how to make it happen.

9 MR. FRIEDMAN: Agreed, Your Honor, and that's --

10 THE COURT: Right?

11 MR. KAROTKIN: -- again, why we're focused on the
12 status-check aspect of it rather than the "terminate now" --

13 THE COURT: But when --

14 MR. FRIEDMAN: -- or even --

15 THE COURT: Again, when things like the state
16 legislature is a player, there's a status report called (sic)
17 their actions, one way or the other; right? If the state
18 government chooses to change -- let's pick one example. If
19 they choose to overrule the inverse-condemnation principle,
20 that's a major development. If they choose not to, that's also
21 a major development; isn't it? And those are big mileposts in
22 the road, aren't they?

23 MR. FRIEDMAN: Absolutely, Your Honor.

24 THE COURT: Right.

25 MR. FRIEDMAN: And we hope that -- obviously, there're

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1 many different variables, but we hope by a seventy-five- or
2 ninety-day-extension period rather than six months, we can sync
3 up the debtors' progress. And again, if it turns out that in
4 ninety days the facts warrant in our view an extension of
5 exclusivity, we might take a different position.

6 THE COURT: So -- I mean, again, I'm picking you
7 because you came up first.

8 MR. FRIEDMAN: I don't mind, Your Honor.

9 THE COURT: I know you don't. I'm not personal. --
10 is that it comes down to, if I grant the governor's request or
11 the official creditors' committee's request, we might have a
12 motion in seventy-five days, or so, to extend again, versus a
13 motion to shorten, if you have a real plan. In other words,
14 suppose there is a significant activity at the legislative
15 level or some other level. Pick the major players: PUC;
16 legislature; i.e., governor's decision. Those are major
17 events. And if Mr. Karotkin's sitting here six months from now
18 and I note that those major changes have been made -- have
19 (sic) done three months ago, I might say, what's going on, why
20 aren't you doing something?

21 But why is it better to have a fight to extend it,
22 when there's -- when it's the same unknowns, versus an
23 opportunity to shorten it if there is inaction or,
24 alternatively, if the governor, the PUC, the creditors'
25 committee have a viable option?

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1 MR. FRIEDMAN: Your Honor --

2 THE COURT: Seems to me it's a question of where do we
3 have this next fight.

4 MR. FRIEDMAN: It is. And Your Honor, I think -- I
5 acknowledge this is all, sort of, a very fluid situation as to
6 what the Court believes is the right path. The governor and
7 the administration believe that it's actually less disruptive
8 to have people walking in, necessarily, with an immediate
9 motion to terminate, and frankly, optically and stability-wise,
10 better to just say, all right, in the ordinary course, Debtors,
11 you're going to come back to me in sixty or seventy-five days
12 or eighty days and say, here's what I've done to warrant --

13 THE COURT: The --

14 MR. FRIEDMAN: -- more time or less.

15 THE COURT: The bankruptcy lawyers in this room know
16 the complexity --

17 MR. FRIEDMAN: Yes.

18 THE COURT: -- and the complications and the time
19 frame for a simple Chapter 11 plan. It's inconceivable to me,
20 if tomorrow the governor and the legislature and the CPUC all
21 solved all these other problems --

22 (Courtroom alarm sounds.)

23 THE COURT: That's just a 10 o'clock thing, I believe.
24 Right?

25 THE CLERK: Yeah; I believe so.

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1 THE COURT: It's usually on Tuesdays. For some reason
2 it thinks today's Tuesday. All right, don't panic, everyone.

3 -- that even if Mr. Karotkin wakes up Friday morning
4 and all these problems are solved, it's going to be a long time
5 before he gets the plan into the file. It's just --

6 MR. FRIEDMAN: Absolutely, Your Honor. And frankly --

7 THE COURT: -- so complicated.

8 MR. FRIEDMAN: -- under those circumstances, it
9 actually might warrant a longer extension of exclusivity.
10 Right? If everybody comes together and things fall into place
11 and Mr. Karotkin and the many other able people in this
12 courtroom get to that juncture, again, the governor's
13 standpoint might be quite different. But where we are now --
14 and not having that, and the perceived lack of progress that
15 the governor sees, as we've articulated in our papers, we think
16 that at this point that kind of extension isn't warranted.

17 THE COURT: Okay.

18 MR. FRIEDMAN: If Your Honor has anything else, I'm
19 happy to --

20 THE COURT: No, I don't. Thank you --

21 MR. FRIEDMAN: -- answer it, but I appreciate --

22 THE COURT: -- Mr. Friedman.

23 MR. FRIEDMAN: -- your time. The governor appreciates
24 being heard.

25 THE COURT: No, I appreciate your being here, too.

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1 Let's go to the official creditors' committee and then
2 we'll go through the -- and by the way, when I listed the
3 parties who have taken positions on this, I overlooked the
4 concerned shareholders. So if their counsel's here today, I'll
5 certainly hear from him too.

6 Good morning --

7 MR. BRAY: Good morning, Your Honor.

8 THE COURT: -- Mr. Bray.

9 MR. BRAY: Gregory Bray, Milbank LLP, counsel for the
10 official committee.

11 THE COURT: So we're going from 75 days to 120 in your
12 papers; right?

13 MR. BRAY: Yes, Your Honor. Let me just begin.
14 You've asked why does it matter if I go termination versus
15 extension. And the lawyer's answer is it's a burden-of-proof
16 issue. Right now the burden of proof is on the debtor to
17 establish cause to extend exclusivity. If we had to come back
18 to court, the burden is on us to establish why it should be
19 terminated.

20 THE COURT: Yeah, but the Exhibit A to your motion
21 will be your proposed plan, because, if you don't have one, I'm
22 probably not going to waste my time with it.

23 MR. BRAY: And I agree with you. And I'm not saying
24 we would file a plan -- we're not asking the Court to terminate
25 exclusivity; we're very clear --

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1 THE COURT: Right.

2 MR. BRAY: -- about that.

3 THE COURT: No, I know you're not

4 MR. BRAY: And we're intimately involved with and
5 aware of the many things the debtor is involved with behind the
6 scenes and in front of the scenes.

7 THE COURT: Right.

8 MR. BRAY: And we're not critical, for lack of a
9 better word, of the debtors' efforts. Nonetheless, the
10 committee urges the Court to shorten the time to four months,
11 the reason being the end of September the legislature adjourns
12 early to mid-September. The governor, as I understand it, has
13 asked the legislature to act in July before the summer vacation
14 or recess, however you want to call it.

15 So our thinking is that by the end of September the
16 debtors should be well aware of what legislative action was
17 taken, wasn't taken, and the debtors should be able to at least
18 articulate some ideas -- a "plan" is too strong a word -- about
19 how to move this case forward.

20 THE COURT: Term sheet?

21 MR. BRAY: A term sheet --

22 THE COURT: Well, that's --

23 MR. BRAY: -- would be ideal.

24 THE COURT: -- that's what I made the CPUC do eighteen
25 years ago, and they did it.

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1 MR. BRAY: And this gets -- you're maybe anticipating
2 my point, which is, we view the extension through the end of
3 September as a checkpoint. And the Court could well decide at
4 that point it should extend exclusivity further. In fact, the
5 committee could say, we believe that that's the right thing, as
6 well. But there may be conditions attached. An unfettered,
7 unconditional six-month extension of exclusivity, in the
8 committee's view, is just simply too long for a case of this
9 type.

10 I'm going to use the word that the governor used. The
11 committee does believe there should be a higher level of
12 accountability and a desire to push this case forward. That's
13 not, again, being critical of the debtors today. Nonetheless,
14 the four months, to us, is the appropriate time for the Court
15 to assess where the debtor is, what progress has been made.
16 And at that time when we have a better understanding of the
17 facts, what's happened, what hasn't happened, and what's
18 reasonable, the Court can then decide if a further extension is
19 warranted or not.

20 And that's really the genesis of our argument here;
21 it's not -- we're not arguing to the Court today you should
22 terminate --

23 THE COURT: No, I know you're not.

24 MR. BRAY: -- exclusivity.

25 THE COURT: I mean, others are. I've got my box

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1 score. I've got votes for two-and-a-half months, four months,
2 zero months.

3 MR. BRAY: Right.

4 THE COURT: Several zero months.

5 MR. BRAY: Right. And we --

6 THE COURT: And the --

7 MR. BRAY: -- we tried to be --

8 THE COURT: -- shareholder --

9 MR. FRIEDMAN: -- thoughtful about the time frame we
10 chose, bearing in mind the legislative process, when that would
11 conclude, where this process is, where the bar date is. And to
12 us it just seemed that the beginning of the fall is the -- I
13 know I'm being repetitive here -- is the appropriate time to
14 take measure of the progress of this debtor and decide if a
15 further extension is warranted and what conditions, if any,
16 should be imposed with respect to the debtors' continuation of
17 exclusivity. That's all we want to see; nothing more.

18 THE COURT: Okay, thank you, Mr. Bray.

19 MR. BRAY: Thank you, Your Honor.

20 THE COURT: Does the ad hoc committee want to be
21 heard? I mean, I -- yeah; good morning.

22 MR. QURESHI: Good morning, Your Honor. For the
23 record, Abid Qureshi, Akin Gump Strauss Hauer & Feld, on behalf
24 of the ad hoc committee of senior unsecured noteholders.

25 Your Honor, we filed a statement. We do not oppose

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1 the relief that the --

2 THE COURT: Right.

3 MR. QURESHI: -- debtors are seeking --

4 THE COURT: Right; I know that.

5 MR. QURESHI: -- with respect to exclusivity. Your
6 Honor, our understanding of the statute here accords completely
7 with the Court. We are concerned by the lack of progress that
8 has been made toward a plan in -- outside of this Court's
9 purview, outside of the courtroom. We are concerned about
10 that. We remain concerned about that. And Your Honor, if
11 those circumstances don't change soon, if progress is not made
12 towards a confirmable plan of reorganization here, then it is
13 our expectation that in that circumstance a motion either to
14 shorten whatever remains of the exclusivity period that might
15 be granted today, or a motion to terminate it right away, might
16 in those circumstances be appropriate.

17 So we don't oppose the extension being sought now, but
18 we will be watching vigilantly for progress to be made --

19 THE COURT: So if your ad hoc committee is concerned
20 about a lack of progress, there still is no way for me to know.
21 I mean, again, as I stated earlier, the fact that I haven't
22 seen something on file doesn't mean there's a lack of progress.

23 MR. QURESHI: That is correct, Your Honor. And I
24 think that, once there is a path towards a viable and
25 confirmable plan and we don't see the debtor making progress

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1 toward their own plan, that would be a circumstance in which
2 our group or perhaps one of the official committees might be
3 back before the Court with a motion to terminate or a motion to
4 shorten. And I completely understand Your Honor's point, which
5 is, Your Honor can't know about that until those circumstances
6 are made clear to the Court.

7 We are here to say that, as of today, Your Honor, we
8 are concerned with the lack of progress towards a plan.

9 THE COURT: Okay.

10 MR. QURESHI: But given the complexities of the case,
11 we think that an extension is warranted but reserve the right
12 to come back to shorten and/or terminate if progress isn't made
13 soon.

14 THE COURT: Okay. Thank you very much.

15 MR. QURESHI: Thank you, Your Honor.

16 THE COURT: And the equity committee; do we have
17 appearance by counsel of the equity committee today? Mr.
18 Bennett.

19 MR. BENNETT: Yes, Your Honor.

20 THE COURT: Good morning. Sorry, I didn't identify
21 your group when I went through the list, but I did read your
22 papers yesterday.

23 MR. BENNETT: Okay. Thank you, Your Honor. Bruce
24 Bennett, Jones Day, on behalf of a number of large PG&E
25 shareholders.

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1 THE COURT: Right.

2 MR. BENNETT: I'm going to skip over a number of
3 things I was prepared to say. And first of all, I support Your
4 Honor's approach to the motion. I also was sitting there
5 thinking about objective information, from the record in this
6 case, to suggest what a reasonable extension might be --

7 (Cell phone ringing.)

8 MR. BENNETT: -- as opposed to feelings about --

9 THE COURT: We need phones off, please.

10 MR. BENNETT: -- as opposed to feelings about what
11 might be appropriate or what progress is being made, when,
12 frankly, there wasn't a lot of evidence produced on that point.

13 And I stumbled upon two things, in the record in this
14 case, that people can't argue about, and one of them is
15 actually the absence of a record, and the second is actually a
16 record that was filed. So we have a tort committee, Your
17 Honor. The tort committee on your chart has proposed that
18 exclusivity be terminated immediately.

19 THE COURT: Right.

20 MR. BENNETT: And they also cite, frankly quite
21 unbelievably, the idea that there's been a lot of progress on
22 quantifying wildfire claims. But when I looked through the
23 record in the case, what I couldn't find was a 2019 statement
24 by that committee.

25 Now, I assume that everyone in this case is doing

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1 their very best to comply with all of the rules of the court,
2 and the rules require that the 2019 had to be filed by now and
3 that the 2019, if it was at all possible to file, would
4 disclose the amounts of claims being asserted by the members of
5 the committee. But for whatever reason, even though we're four
6 months into the case, or soon to be four months into the case,
7 and even though they say that the debtors should be prepared to
8 file a plan within a week, they still haven't managed to gather
9 up their own claims information for their own members. I hope
10 they do, and I hope they do quickly, but it would seem hard to
11 argue that the debtors have enough information, in our
12 position, to file a plan, when they haven't managed --

13 THE COURT: Aren't those --

14 MR. BENNETT: -- yet --

15 THE COURT: -- apples and oranges? I mean, I
16 didn't --

17 MR. BENNETT: Your Honor, it's about --

18 THE COURT: I wasn't --

19 MR. BENNETT: It -- it's --

20 THE COURT: I wasn't aware of that --

21 MR. BENNETT: It's --

22 THE COURT: -- complaint before, but I don't know --

23 MR. BENNETT: It's the -- it's an objective reflection
24 of the absence of one crucial piece of information, which is,
25 what claims really are. That's what it is.

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1 THE COURT: Wait one second, please.

2 THE CLERK: We lost the video connection. We need to
3 place the call. We have -- to the overflow.

4 THE COURT: Okay. Just short break. Yeah, we have --
5 we lost the video to next door. That'd just take -- she just
6 has to re-place the phone line (sic).

7 We lost the audio to next door, too, then, right?

8 Yeah. Okay.

9 Okay, Mr. Bennett, you're back on camera with me.

10 MR. BENNETT: I think where I left off, Your Honor, is
11 I said that I'm not seeking a sanction or complaining about the
12 absence of a 2019 statement. I'm pointing out that it's an
13 objective indication of the state of available information, of
14 course based on the assumption, which I do think should be
15 regarded as true, that everyone's trying hard to comply with
16 their obligations and, if they had the information, they would
17 have filed it by now.

18 Secondly, Your Honor, you noted that the Singleton
19 firm has an objection and they too would seek to terminate
20 exclusivity immediately. Well, they did file a 2019 statement,
21 but it was a list of names with no numbers. And they reported,
22 in their 2019 statement -- and this is a few weeks ago -- that
23 of the thousands of clients that they represent, exactly thirty
24 had liquidated their claims.

25 So I am for rapid progress as much or more than

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1 anybody else in this courtroom, but we have to understand where
2 we are and where we need to go. And I also, frankly -- it
3 would have been great if this hearing could have been held at
4 the same time as the bar-date hearing, because --

5 THE COURT: Well, yeah, of course. But --

6 MR. BENNETT: -- because it would give us some
7 information about what people think is a reasonable period to
8 get claims done. So consistently with the comments Mr.
9 Karotkin made, we have a legislative process where -- Mr.
10 Friedman was right. The governor did ask for action by July
11 15th. I am fervently hoping that that's exactly what happens,
12 but we all know, as Mr. Karotkin pointed out, what did happen
13 with Senate Bill 901. It took until the very last day of the
14 session for that to get out. And that would be September,
15 which, of course, would be after the governor's proposed date.

16 We're looking at a bar date that'll probably be, if
17 the debtor's motion is successful, in the September time frame.
18 And --

19 THE COURT: Well, the bar date -- I mean, it --
20 whether I grant the debtor six months or cut zero, either way,
21 the bar date's a separate inquiry.

22 MR. BENNETT: It's a separate inquiry.

23 THE COURT: So --

24 MR. BENNETT: It's another item on the critical path,
25 Your Honor.

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1 THE COURT: No, that's right. Of course, it is.

2 MR. BENNETT: So there -- so my point being is,
3 there's a lot of items on the critical path that we know today,
4 absolutely, objectively are pretty far out there, whether we
5 like it or not.

6 THE COURT: I guess I don't share with you that an
7 exclusivity deadline, in a case of this complexity, is a
8 critical path item like it would be in a construction project.
9 You have to clear a path. You're going to put the foundation
10 before you start building the floors. Here, it's almost
11 inconceivable that there's going to be a plan other than what
12 the debtor and/or what someone's going to put together from all
13 these other forces that have to line up.

14 MR. BENNETT: And I agree. And I think --

15 THE COURT: Yeah.

16 MR. BENNETT: -- that, Your Honor, starting with the
17 six-month period, allowing parties to shorten it if
18 circumstances change in the interim, accommodates what we know
19 about the objective events that we have today. It's consistent
20 with what the record is showing is the state of information,
21 and it's consistent with what we are seeing progress likely to
22 be in critical areas. So I think -- I -- this is in support of
23 your approach to be -- to -- objective information in support
24 of your approach for dealing with the motion.

25 THE COURT: Okay. Thanks, Mr. Bennett.

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1 MR. BENNETT: We would urge that it be granted as
2 proposed by the debtors.

3 THE COURT: All right. All I have left from the
4 opponents are those that want to shorten. So Ms. Dumas, are
5 you speaking today or Mr. Julian?

6 MS. DUMAS: Yes, sir.

7 THE COURT: Okay. Would you take up -- start with on
8 behalf of the tort committee, please. And you're not -- what
9 Mr. Bennett said about the 2019 statement, you cannot respond
10 to that. It's not an action item for me today. If you want to
11 respond, you can, but it's not relevant to today's motion.
12 So --

13 MS. DUMAS: Well, thank you, sir. I did not intend to
14 respond to Mr. Bennett's suggestion --

15 THE COURT: Okay.

16 MS. DUMAS: -- that we file a 2019 in my remarks.
17 Cecil Dumas, BakerHostetler, on behalf of the official
18 committee of tort claimants.

19 I'm here this morning with Karen Lockhart (ph.), the
20 committee chair --

21 THE COURT: Um-hum. Right.

22 MS. DUMAS: -- as well as several of my colleagues.
23 And I wanted to also inform the Court that a number of
24 individuals who were affected by the fires elected to come to
25 court. They don't want to hear about exclusivity; they want to

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1 hear about an urgent needs fund. But --

2 THE COURT: I understand.

3 MS. DUMAS: -- nonetheless, many people have travelled
4 from as far as Paradise, California, getting up at 5 o'clock in
5 the morning to be here to hear what goes on in bankruptcy court
6 and what Your Honor has to say.

7 THE COURT: Well, I'm glad they're here. I'm glad
8 they are --

9 MS. DUMAS: I appreciate that, and --

10 THE COURT: -- they chose to come.

11 MS. DUMAS: -- I know you are, Your Honor.

12 With respect to the exclusivity extension, the tort
13 committee is not misreading the law. We are not crazy. We
14 understand the complexity of this case, but we need to make a
15 few significant points that are not being heard by the
16 financial interests in the case about the real people being
17 affected. So I want to just make a few introductory remarks,
18 if I may, Your Honor?

19 THE COURT: Yes.

20 MS. DUMAS: This case, in our view, is not PG&E-2. It
21 is unlike the case that you heard --

22 THE COURT: I know.

23 MS. DUMAS: -- in 2001.

24 THE COURT: I know that.

25 MS. DUMAS: There is no -- there is no jack-up in the

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1 price of power that PG&E has to acquire. This case is much
2 more like the mass tort bankruptcy cases that we see from the
3 examples of A.H. Robins and Manville and Dow Corning. That
4 is --

5 THE COURT: It's almost more like the Puerto Rico
6 hurricanes.

7 MS. DUMAS: The debtor has --

8 THE COURT: Right?

9 MS. DUMAS: The debtor has caused -- according to some
10 independent investigators, has caused a number of wildfires
11 that resulted in lives being lost, billions of dollars of
12 damages, thousands of people being misplaced. And in that
13 sense -- and that is the reason that this case was filed.
14 According to the debtor's own A case, it filed the case to have
15 one place to address billions of dollars of tort claims arising
16 in connection with the -- not only the 2017 North Bay fires,
17 but really the -- the tipping point was the 2018 Camp Fire.

18 So it elected to come into bankruptcy to resolve those
19 claims. It came into bankruptcy as a solvent debtor. It came
20 into bankruptcy as a debtor whose operations were fine. It has
21 positive EBITDA. It has a robust market cap, so it is here to
22 resolve tort claims.

23 The only difference between Robbins, Manville, Dow
24 Corning, any of the asbestos cases is the real reason that I'm
25 standing before you, and that is that this debtor is still

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1 manufacturing the dangerous product. This Court has heard on
2 many occasions and has remarked itself of the risk of a
3 wildfire during the administration of the case. What this
4 Court hasn't heard, but may have read about, is the consequence
5 that will occur in October of this year of tens of thousands of
6 people losing the tail of their insurance benefits. Tens of
7 thousands of people affected in the North Bay fires in October
8 2017 will be paying both rent and mortgages in October. And
9 that is something that the California legislature, the
10 governor's office, and everyone else is acutely aware.

11 That will be a storm of fury of people who live in
12 Northern California. Why do I say people who live in Northern
13 California? Because we, Your Honor, are the only people who
14 matter in this case. The tort claimants, the victims are the
15 only people who are affected by this case. Why do I say that?
16 Because every other lawyer who is standing before you is
17 representing people who choose to be here as an investment
18 opportunity. I have charts. It's very interesting to see how
19 many people have traded in and out at all levels.

20 THE COURT: I know.

21 MS. DUMAS: I know you understand that. It happens --

22 THE COURT: I can see it from the docket.

23 MS. DUMAS: -- in big cases.

24 THE COURT: I see it constantly.

25 MS. DUMAS: But this -- in this case, it is all the

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1 more remarkable. The debtor filed its case with approximately
2 two billion in trade debt. It paid almost a billion of that
3 through its critical vendor or first-day employee, et cetera.
4 So trade debt and trade creditors are now being paid current.
5 Administrative expenses, they're being paid current. So the
6 harm to trade is not financially material. You're looking at a
7 courtroom of people who are -- I'm not going to get to the
8 emotional part of it, but there is real harm occurring outside
9 of this courtroom.

10 Now, let's talk about everybody else. Everybody else
11 who's in this room chooses to be here. The bonds in this case,
12 at all levels of debt, in this case, whether you're talking
13 about the DIP, the utility bonds, the segregation claims,
14 people are accumulating position. The bonds are trading
15 sometimes at above par. They're a little bit below par right
16 now. But everybody who is in this case is trading into this
17 case to be here. Why? Because this is a regulated utility.
18 It may be an investor-owned utility, but the State of
19 California is not going to allow PG&E to cease operations.

20 The CPUC is not going to allow the DIP lenders to
21 foreclose on utility assets. Nothing is going to happen to the
22 service being delivered to these customers and PG&E's ability
23 to collect money from those rate payers if there's no
24 bankruptcy case. There's a single reason for the bankruptcy
25 case, and that is to resolve the tort claims.

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1 So with respect to all of the fine lawyers in the
2 courtroom, they represent distressed debt traders. They
3 represent people who want to make money and have been making
4 money hand over fist. And I've said this before. When I came
5 to the Court before the DIP, I said, there is a disconnect here
6 between people being held up on claims, some that arose in 2015
7 in the Butte Fire, and the people who are trying to get a point
8 or two extra. There's almost no place to trade in the bonds
9 anymore because so much money has been made. The last play in
10 the case, when -- a major shareholder Baupost already holds
11 half of the segregation claims. The only place left to trade
12 in this case and make money is the tort claims, right? That's
13 the last place for distressed traders to try to make -- to
14 acquire the tort claims, and that's the last play.

15 These are all financial plays. I'm saying all this
16 because you understand financial plays; I understand them.
17 Everybody at counsel table understands them, but there are real
18 people saying, my house was burned down in 2015. My house was
19 burned down in 2017. I am still living in a tent from 2018. I
20 apologize for raising my voice, Your Honor. So --

21 THE COURT: You don't have to apologize.

22 MS. DUMAS: So let's get to the cause standard. What
23 the governor's office said and the debtor said and the equity
24 holders said is that we've all got to wait to see what the
25 California legislature does. But as Your Honor pointed out,

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1 the California legislature may decide not to do anything. It
2 may not do anything in the 2019 legislative session. It may
3 not do anything in 2020. So PG&E has been lobbying in
4 Sacramento, but its lobbying was before it filed for
5 bankruptcy, during bankruptcy, and it will continue outside of
6 bankruptcy.

7 The other two investor-owned utilities in the state --
8 San Diego Gas & Electric and Southern California Edison --
9 they're not in bankruptcy. They're lobbying for the same
10 changes to the law. We need relief, 901. We need change to
11 inverse condemnation. That is a strawman. That is a strawman
12 that we need a legislative change. A legislative change is not
13 necessary to confirm a plan that pays all of the utility's
14 creditors. Legislative change may be helpful -- may be helpful
15 to protect the market cap, may be helpful to protect the equity
16 security holders who bought in January at six dollars and want
17 to see it go up to sixty. But that's not necessary to confirm
18 a plan that will pay the tort claimants and the bond holders.

19 Now, Your Honor has signaled strongly, and we have
20 taken it very seriously, that if a party can come forward with
21 a plan -- a realistic, feasible plan that calls for the
22 recapitalization of this debtor but maybe doesn't -- maybe
23 equity is cancelled, maybe the bonds take a haircut. I don't
24 know, but there is a plan.

25 THE COURT: Well, there isn't one yet.

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1 MS. DUMAS: Well, there --

2 THE COURT: I mean, I understand.

3 MS. DUMAS: Well --

4 THE COURT: As you know, there was one in the prior
5 case.

6 MS. DUMAS: And I agree with you, Your Honor. And the
7 tort claimants committee has not been sitting like potatoes.
8 We're running financial scenarios. We understand the
9 refinancing capabilities of this company with its EBITDA. We
10 can run the same multiple scenarios as anybody else, and we can
11 watch the waterfall depending on those assumptions. And at
12 some point, Your Honor may have to do an enterprise valuation
13 in a contested confirmation that pays creditors. Remember, not
14 the creditors who are financial opportunists here, because
15 that's what everybody but the tort victims are. But the
16 creditors who are really suffering have been waiting a long
17 time for payment.

18 THE COURT: Look, I understand your point. But why --
19 what will change that suffering if I break exclusivity today?
20 In other words, I understand you haven't filed a plan, and I'm
21 not --

22 MS. DUMAS: Well, we're not allowed --

23 THE COURT: -- surprised --

24 MS. DUMAS: -- to file a plan because --

25 THE COURT: No, no. But --

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1 MS. DUMAS: -- we're within the --

2 THE COURT: -- but --

3 MS. DUMAS: -- exclusive period.

4 THE COURT: But Ms. Dumas, you know as well I, I have
5 not surprised anyone with my philosophy about plan exclusivity
6 in other cases, not just the prior case but other Chapter 11
7 cases in the area. But one thing that I won't do is waste time
8 on nonplans or tire kickers or troublemakers. So -- and I'm
9 not accusing you or your committee of any of that. What I'm
10 getting to is, if I break exclusivity today, what is likely to
11 happen? Leaving aside what counsel to the governor talked
12 about, optics and the obvious reasons --

13 MS. DUMAS: Yeah.

14 THE COURT: -- what's going to change --

15 MS. DUMAS: Yeah.

16 THE COURT: -- other than --

17 MS. DUMAS: So --

18 THE COURT: -- confusion?

19 MS. DUMAS: So --

20 THE COURT: In other words, how --

21 MS. DUMAS: It is --

22 THE COURT: Let's suppose that, as Mr. Karotkin
23 mentioned, if I break exclusivity, it might throw confidence
24 into doubt, it might change the market --

25 MS. DUMAS: Yes, sir.

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1 THE COURT: -- maybe the stock market will go down,
2 but what will happen to help your constituents tomorrow and the
3 next day and the next day?

4 MS. DUMAS: Yes, sir. I --

5 THE COURT: I don't know. I --

6 MS. DUMAS: I --

7 THE COURT: -- have no solution.

8 MS. DUMAS: I have a few suggestions or a --

9 THE COURT: Okay.

10 MS. DUMAS: -- few observations --

11 THE COURT: Okay.

12 MS. DUMAS: -- on that point. The first observation
13 is from a controlling case, the BAP decision in Henry Mayo --

14 THE COURT: The Mayo case.

15 MS. DUMAS: -- Newall Memorial Hospital --

16 MS. DUMAS: Um-hum.

17 MS. DUMAS: -- where Professor Epstein and others
18 cited by the court opined -- and the court adopted their --
19 Judge Klein, in a very nice opinion, adopted their suggestion.
20 There is truth in their observation -- this is 282 B.R. 444 in
21 our papers. There is truth in their observation backed by
22 examples from prominent cases that a likely consequence of the
23 denial of an extension of exclusivity is not that creditor
24 plans will be proposed and approved, but that the threat of
25 plans will cause the debtor to come forward more quickly than

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1 he might otherwise.

2 So statistics show, right? That's one possible
3 consequence. And here's why I want to say that won't happen
4 unless exclusivity is not extended.

5 Now, bear with me, because I'm going to take you back
6 to Manville. In Manville -- I'll give you a cite because I
7 didn't put it in my papers.

8 THE COURT: I don't need a cite.

9 MS. DUMAS: I apologize.

10 THE COURT: I know the history of Manville.

11 MS. DUMAS: Well, 66 B.R. --

12 THE COURT: Tell me what happened.

13 MS. DUMAS: -- 517. There were a number of opinions,
14 but this one was a challenge to the shareholders replacing the
15 board during the bankruptcy case. And in Manville, what
16 happened -- another one of these mass tort cases -- is that the
17 debtor and the tort committee in that case formulated and
18 proposed a plan. And that plan did not provide for equity or
19 enough for equity. So the major shareholders got together and
20 replaced the board so that the debtor would withdraw the plan.

21 So that specific question be -- this is relevant.
22 That specific question before the court was, did that
23 constitute a clear abuse to replace the board during a
24 bankruptcy case for the purpose of getting more money for
25 equity? And the court, of course, found, no, it's a valid use

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1 of --

2 THE COURT: It was --

3 MS. DUMAS: -- corporate powers to replace the board.

4 THE COURT: -- a corporate governor -- governance.

5 MS. DUMAS: Exactly. Exactly. There's not clear
6 abuse of the bankruptcy process.

7 Now, that's what happened in Manville. What happened
8 here, as Jones Day pointed out in its papers, it was proactive.
9 The major shareholders were proactive. They replaced the
10 board -- hopefully, depending on the vote at the shareholders
11 meeting next month, they replaced the board. There is now a
12 board controlling PG&E that is acceptable to the holders of a
13 controlling interest in the shares.

14 THE COURT: Well, that's true.

15 MS. DUMAS: Okay?

16 THE COURT: That's true.

17 MS. DUMAS: So what that means is that this debtor --
18 we will never have that chance in Manville because this debtor
19 now will not get together with this tort committee to formulate
20 a plan that doesn't favor equity.

21 THE COURT: Well, that -- but that assumes that this
22 Court or any other court would not be responsive to a proper
23 motion to break it because of a viable plan option. In other
24 words, today, as I make -- if I have to make -- I have to make
25 it today. I will make a decision. I don't know that there is

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1 an option viable. Tomorrow, there might be. And if
2 tomorrow -- and I say it metaphorically -- next week, next
3 month. If next week or next month, the TCC or some other group
4 has a viable plan, I -- why couldn't I, on an expedited basis,
5 open the doors, break exclusivity then? What's the --

6 MS. DUMAS: Your Honor, that could happen? We will
7 appreciate that opportunity. We understand that what we have
8 asked the Court to do is a massive stretch that --

9 THE COURT: It's not --

10 MS. DUMAS: -- could be --

11 THE COURT: -- a massive stretch.

12 MS. DUMAS: -- perceived as --

13 THE COURT: It --

14 MS. DUMAS: -- destabilizing.

15 THE COURT: Ms. Dumas, it is not --

16 MS. DUMAS: If the Court wishes to --

17 THE COURT: It is not a massive stretch. I -- again,
18 I -- you're supposed to know your judge, right? This judge has
19 never been a fan of exclusivity, but he is a fan of practical
20 consequences. And the risk of a frivolous plan -- again, I'll
21 say what I keep saying. You are not somebody who I expect to
22 file a frivolous plan. But --

23 MS. DUMAS: Thank you, Your Honor. I may --

24 THE COURT: May.

25 MS. DUMAS: -- meet your expectations in that regard.

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1 But --

2 THE COURT: But in my -- in the prior case -- and I
3 don't want the victims of the fires to think that this judge is
4 going to decide this case the way he decided before. But
5 the -- I don't remember if you were in the courtroom, but a
6 number of people who were in the courtroom were stunned when I
7 broke exclusivity that day because they didn't expect it. And
8 they got themselves a competing plan that, guess what, led to,
9 I think, a consensual outcome.

10 Now, maybe I'll do it again. But I don't have that
11 option right now because no one has presented to me. And I --
12 and if your committee does or some other group does, I will
13 have to --

14 MS. DUMAS: Yes, sir.

15 THE COURT: -- be consistent with my philosophy, at
16 least, as to why I shouldn't. So I'm down to the point of
17 what's the harm of breaking the plan exclusivity today versus
18 what's the harm of continuing it. And I'm still back into
19 appearances more than substance. Again, appearances are
20 important. They're important to the victims. They're
21 important to the market. They're important to the political
22 process and the public. But substantively, this is a
23 bankruptcy court, where we have these rules that are what they
24 are.

25 MS. DUMAS: Yes, sir. You are absolutely correct in,

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1 I think, your assumption. And I will represent to the Court
2 the tort committee does not have a creditor plan that it wishes
3 to propose today.

4 THE COURT: I think --

5 MS. DUMAS: And --

6 THE COURT: -- I knew that, because I -- again, I know
7 you and Mr. Julian well enough to know that if you had one, it
8 would have been Exhibit A to your opposition.

9 MS. DUMAS: That's correct, Your Honor. That -- yeah,
10 that's correct, Your Honor. And we --

11 THE COURT: And it's a formidable task even if you are
12 right, that there's a way to reorganize this company and let
13 the traders out there have their consequences. But there isn't
14 an option yet.

15 Anyway, let -- I'm going to let you finish, and let me
16 let the other counsel -- because we do want to get to the
17 wildfire motion this morning, if possible. So --

18 MS. DUMAS: Well, Your Honor, I'd like to talk about
19 1121(d) for the rest of the day if --

20 THE COURT: We'll take that after the hearing. You
21 and I can have another discussion.

22 MS. DUMAS: Your Honor, that's the conclusion of my
23 remarks. We very much appreciate the Court's going out of its
24 way to explain its philosophy, to reexplain its philosophy on
25 exclusivity, the value of a concrete competing plan. We take

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1 the Court's advisement very seriously, and the tort committee
2 and other creditor constituents will act accordingly.

3 THE COURT: Okay. Thank you --

4 MS. DUMAS: Thank you so much --

5 THE COURT: -- Ms. Dumas.

6 MS. DUMAS: -- for your time.

7 THE COURT: Mr. Tredinnick, are you here? Mr.
8 Tredinnick, for the CCSF, filed a joinder with the committee.
9 Is anyone from the Singleton law firm appearing today?

10 MR. SINGLETON: Yes.

11 THE COURT: Do you want to be heard?

12 MR. SINGLETON: Yes, sir.

13 THE COURT: All right. And that's Mr. Hawkins, right?

14 MR. SINGLETON: No, Gerald Singleton.

15 THE COURT: Oh, I'm sorry, Mr. Singleton.

16 MR. SINGLETON: Yes.

17 THE COURT: Well, Mr. Hawkins was here --

18 MR. SINGLETON: Mr. Hawkins is our --

19 THE COURT: -- on other matters.

20 MR. SINGLETON: -- bankruptcy specialist. I'm merely
21 a humble fire lawyer, so I don't know much about bankruptcy.

22 THE COURT: You're welcome in this court. One of the
23 things that lawyers are advised not to do is admit to the Court
24 that they don't know anything about bankruptcy.

25 MR. SINGLETON: Well, I didn't say I don't know

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1 anything. I've learned a little bit during this process, and I
2 suppose I should thank PG&E for that because it's a fascinating
3 area of the law.

4 What I wanted to do, Your Honor -- I'm certainly
5 mindful of what the Court has said, and I think I -- I think we
6 can all see where the Court's going. And I understand the
7 reasons for that. I wanted to talk a little bit about the
8 practical impact, and I appreciate the Court's stating that it
9 was concerned about the practical impact.

10 To answer the Court's question, what would ending
11 exclusivity do?

12 THE COURT: Um-hum.

13 MR. SINGLETON: I think the practical impact would be,
14 metaphorically speaking, to light a fire under PG&E. And that
15 is what we're not seeing. And it's not just me. It's not just
16 the tort committee. To me, the most concise statement on this
17 was from the ad hoc committee of senior unsecured noteholders.
18 That was document 2008. And what they said, I think, is very
19 important. And I think it bears repeating. Specifically, they
20 said -- and this is a quote.

21 "The debtors have not, as far as the ad hoc committee
22 is aware, engaged in any substantive plan related discussions
23 with any of their primary stakeholders, including the ad hoc
24 committee, which holds a majority of the utility's
25 approximately 20.5 billion in funded debt."

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1 I can represent the same is true. I --

2 THE COURT: Well, I --

3 MR. SINGLETON: Go ahead.

4 THE COURT: -- I think you did. I think you made a --

5 MR. SINGLETON: Yeah.

6 THE COURT: -- point that the official tort claimants
7 committee seems to have preempted your position as that the
8 party --

9 MR. SINGLETON: Right.

10 THE COURT: -- that the debtors will negotiate. I
11 can't make rules about who should be talking to whom. You and
12 your firm have not been bashful, and you're welcome to come
13 here anytime you want. It's not terribly helpful to have you
14 taking positions that are completely unrelated, like on the
15 motion to extend the removal. But you're entitled to do it.
16 But --

17 MR. SINGLETON: Understood.

18 THE COURT: -- but I mean, what I should do? Do you
19 think breaking exclusivity is going to invite you to the next
20 meeting with the debtor? I mean --

21 MR. SINGLETON: Oh, not at all, Your Honor. But I do
22 think that breaking exclusivity would move this case forward.
23 And that was what I wanted to address there. To me -- and
24 perhaps, this is because my background is as a wildfire lawyer.

25 THE COURT: Um-hum.

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1 MR. SINGLETON: I mean, I've settled thousands of
2 wildfire cases, so I'm very familiar with how it's done. We've
3 settled over 700 --

4 THE COURT: Hold on --

5 MR. SINGLETON: -- with PG&E.

6 THE COURT: -- Mr. Singleton. Are we losing the feed
7 again?

8 THE CLERK: Yes, there's a network error.

9 THE COURT: Why does this keep happening?

10 Sorry. I didn't --

11 MR. SINGLETON: Oh, no problem.

12 THE COURT: Well, I mean, it's -- I don't like the
13 delay, but we haven't had this technical problem before with
14 the other courtroom. It just takes a second to revive it, and
15 let's do it. There are a number of people --

16 MR. SINGLETON: Sure.

17 THE COURT: -- over there that are trying to listen in
18 on this.

19 MR. SINGLETON: I was actually --

20 THE COURT: Okay. They're back.

21 MR. SINGLETON: -- there before --

22 THE COURT: Go ahead.

23 MR. SINGLETON: -- the Court called this one. Thank
24 you.

25 THE COURT: Okay.

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1 MR. SINGLETON: So this is --

2 THE COURT: Well, let's -- go ahead, Mr. Singleton.

3 We'll --

4 MR. SINGLETON: Thank you. This is a perspective of
5 somebody who deals on a day-to-day basis with settling wildfire
6 cases. What we're not seeing -- and as far as I can understand
7 from my conversations with the people on the tort committee and
8 tort committee counsel, and I understand there's certain things
9 they can't share -- but what we're not seeing is any movement
10 toward what needs to be done to resolve these cases. And
11 again, the debtor says this in their own filing.

12 They say, we're hopeful that a consensual resolution
13 of the liability issues can occur. But if it doesn't, we're
14 going to need the Court's intervention.

15 And that, to me, is the real problem, because there
16 are two issues you have to resolve to resolve a wildfire case.
17 Obviously, you have to resolve liability, which applies to
18 all --

19 THE COURT: Of course.

20 MR. SINGLETON: -- of the plaintiffs. And then you
21 have to resolve the individual damages claims, and this was a
22 point made by counsel for one of the committees -- I forget
23 which one it was -- the Jones Day gentleman. But he said that
24 we haven't provided him with or we haven't provided PG&E with
25 specific numbers, and that's very true. We haven't, but that's

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1 the second step of what needs to happen.

2 So looking at it strictly from a wildfire
3 perspective -- and I concur with Ms. Dumas that that is why
4 we're here, obviously, if these fires wouldn't have happened,
5 PG&E --

6 THE COURT: Of course.

7 MR. SINGLETON: -- would not have declared bankruptcy.

8 THE COURT: Of course.

9 MR. SINGLETON: So how do you resolve them? There are
10 twenty-one fires involved here. We have the 2015 Butte Fire.

11 THE COURT: No, I'm aware of them.

12 MR. SINGLETON: Certainly. Okay, so --

13 THE COURT: I don't have all twenty-one of them
14 memorized, but I'm aware of them.

15 MR. SINGLETON: Understood, Your Honor. Of those
16 twenty-one, CAL FIRE has determined that PG&E's equipment
17 started twenty --

18 THE COURT: Um-hum.

19 MR. SINGLETON: -- and then there's the Tubbs Fire.
20 Well, from my perspective, the thing we need to know first and
21 foremost is what PG&E is going to do about Tubbs. And we had
22 the opportunity at the creditors meeting -- I asked their CFO
23 on two different occasions -- the first hearing, which I
24 believe was in February or March, and then the second one,
25 which was at the end of April, April 29th -- and I said to him,

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1 what are you going to do about Tubbs and the liability?

2 Because if they're not going to admit liability, then we need
3 to start litigating that. We need to start doing it seriously
4 right now. And their response was, it's too early for us to
5 give you an indication as to what we're going to do about
6 Tubbs.

7 Well, Your Honor, I mean, that's hogwash. It really
8 is ridiculous. It's been eighteen months since the fire. They
9 know what their contentions are, and they know what they're
10 going to do. To me, if the Court --

11 THE COURT: Well, but --

12 MR. SINGLETON: Go ahead. Certainly.

13 THE COURT: We start on January 29th in this case, and
14 so today is May 22nd.

15 MR. SINGLETON: Okay.

16 THE COURT: That's the world that I live in and the
17 bankruptcy lawyers that are here behind you are living in. So
18 I don't minimize what happened since the Tubbs Fire until
19 January 28th, but the rules changed on January 29th. And the
20 claims process and the way the claims can be dealt with are
21 different. I mean, look, your office is involved in the Butte
22 Fire from 2015.

23 MR. SINGLETON: Right.

24 THE COURT: And you know how they have progressed, and
25 I'm aware of your frustration as to why the finite number of

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1 victims there haven't been treated a little differently. But
2 that's on the list of the debtors' counsel's to-do list. He's
3 got them all on there.

4 MR. SINGLETON: Your Honor, I certainly understand,
5 but the concern that I have, and I believe -- I don't want to
6 speak for her -- but I believe Ms. Dumas' concerns as well, is
7 that they haven't addressed this.

8 THE COURT: Okay. So what would happen in the
9 layman's term, in a non-bankruptcy person, a fire specialist
10 who you are -- what would happen in your mind if I determine
11 exclusivity?

12 MR. SINGLETON: Well, I think what --

13 THE COURT: What would tomorrow bring for you and your
14 clients in this bankruptcy case?

15 MR. SINGLETON: Well, I think tomorrow obviously is
16 going to look very much like today, as the Court said. But the
17 question is, in the next few months what's going to happen? To
18 me, PG&E would immediately begin negotiating with the fire
19 claimants to do things: number one, determine whether or not
20 they are going to admit liability --

21 THE COURT: But do you --

22 MR. SINGLETON: Go ahead.

23 THE COURT: Do you think that breaking exclusivity,
24 which is something that exists only in the bankruptcy world --

25 MR. SINGLETON: Um-hum.

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1 THE COURT: -- the rest of the world has never even
2 heard of the concept -- do you think suddenly that changes
3 their need to quantify their exposure on Tubbs?

4 MR. SINGLETON: Absolutely not, Your Honor.

5 THE COURT: Okay.

6 MR. SINGLETON: What I think it would lead them to do
7 is to begin having the serious discussions which they admit on
8 three separate occasions in their papers they haven't had yet.
9 One thing that I do give them credit for is in their papers,
10 several different times, they state, we have not had any
11 substantive plan discussions.

12 THE COURT: But I can't make their counsel tell me how
13 they are planning to go about dealing with the Tubbs Fire
14 victims as distinguished from, say, the Camp Fire victims --

15 MR. SINGLETON: Yeah, absolutely not.

16 THE COURT: -- if there's going to be a difference.
17 Maybe there isn't. I don't know.

18 MR. SINGLETON: Understood, Your Honor. What I think
19 the Court could do -- and this would just be a suggestion
20 looking at it from the outside -- is to say, if you want a
21 continuance of this exclusivity period, you're going to have to
22 show some progress. For example, on a date certain, you have
23 to let the plaintiffs know which fires you will be contesting
24 liability on, and it could be all twenty-one.

25 But that would be something that would be very

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1 beneficial to us. If they're allowed to have this additional
2 six months where we don't know what they're doing and they
3 don't have any requirements, then they can simply come back six
4 months from now and say again, we're not sure what we're going
5 to do. Whereas if you end exclusivity, or as I think is much
6 more likely, the Court extends exclusivity but puts some
7 conditions on it -- to me there are two key conditions.

8 One would be to have them state by a date certain
9 which fires they are going to contest liability on so that we
10 can then decide, are we going to send those back, for example,
11 to Superior Court; are we going to have a trial in front of
12 Judge Alsup; are we going to have a trial in front of this
13 Court; how are we going to do that? Because as I understand
14 bankruptcy law, that's something that this Court is going to
15 have to decide, and there is no formula for it.

16 THE COURT: There are all sorts of ways to deal with
17 it.

18 MR. SINGLETON: Certainly. Certainly.

19 THE COURT: And they aren't necessarily limited to the
20 choices that you gave.

21 MR. SINGLETON: Understood. Understood.

22 THE COURT: Okay. And talk to the victims -- I mean,
23 people like Ms. Dumas who are familiar with the mass tort
24 resolutions in cases like Robins (phonetic) and Manville
25 (phonetic) and other situations that are more like this case.

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1 MR. SINGLETON: Understood.

2 THE COURT: All right.

3 MR. SINGLETON: The second thing that I think would be
4 very beneficial is for the Court to set a date by which both
5 sides -- that would be the plaintiffs and the defense -- are to
6 give their proposed plans on how we're going to resolve the
7 specific amount of each claim, because that really is the main
8 question here -- is, we know what the claims generally are, but
9 in terms of what the amount of those damages are and what we
10 need in order to liquidate the claims, obviously the plaintiffs
11 are going to say it's 10X, and PG&E is going to say it's 2X.

12 So we've got to come up with a solution. I assume
13 that solution is not going to be that this Court would
14 entertain 14,000 civil jury trials.

15 THE COURT: I don't think I'd be able to.

16 MR. SINGLETON: Understood. So I think what has to
17 happen there is there has to be a provision worked out, whether
18 it's a mediation protocol and then you would be eligible for
19 arbitration -- whatever that is. My point is --

20 THE COURT: Now you're --

21 MR. SINGLETON: Sorry.

22 THE COURT: Now you're getting down into the details.

23 MR. SINGLETON: Understood.

24 THE COURT: Let's stick with the question.

25 MR. SINGLETON: Sure.

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1 THE COURT: Do you want to have anything further on
2 the exclusivity issue? Because that's -- I mean, sure, I could
3 condition a grant of exclusivity or extension of it on some
4 kinds of things, but I don't want to try to get down into the
5 details. These are great, big, broad stroke brush questions
6 that I can't get down to specific --

7 MR. SINGLETON: Understood, Your Honor.

8 THE COURT: Okay.

9 MR. SINGLETON: If I could just -- I'll certainly move
10 off that.

11 THE COURT: Yes, sir.

12 MR. SINGLETON: And I had a couple of other
13 observations --

14 THE COURT: Okay.

15 MR. SINGLETON: -- if the Court would indulge me.

16 THE COURT: Yeah, I will.

17 MR. SINGLETON: In terms of the amount of time,
18 everyone is focused on the size of it, and I completely
19 understand. And I understand the Court when the Court says
20 January 29th was the first day. But I know the Court is also
21 aware of some of the practical human situations here.

22 For example, many in the Butte Fire -- just to give
23 you one example, I represent a woman --

24 THE COURT: No, I know you do. I mean, I don't know
25 the specifics --

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1 MR. SINGLETON: I was just --

2 THE COURT: -- but I remember --

3 MR. SINGLETON: Yeah.

4 THE COURT: -- the particular number of people that
5 were there.

6 MR. SINGLETON: Just to give you an example though,
7 there was someone who didn't have insurance.

8 THE COURT: Um-hum.

9 MR. SINGLETON: Her settlement was reached. It did
10 not fund because PG&E declared bankruptcy. So that's an
11 individual who from 2015 still doesn't have a home because she
12 was uninsured and she lost it, and PG&E did not honor its
13 commitment.

14 THE COURT: No, I understand.

15 MR. SINGLETON: So you look at 2017, as Ms. Dumas
16 said, there are thousands of families who are going to lose
17 their alternate living expenses, which is how rent is paid when
18 you're rebuilding in October of 2017 -- I'm sorry, 2019. And I
19 think what all of us are concerned about is there does not seem
20 to be any urgency on the part of PG&E, and that's what I think
21 we would like to see put in.

22 And the last thing that I would say, Your Honor, is
23 that -- and this is something again Ms. Dumas touched on -- but
24 there is a difference here between PG&E the utility and PG&E
25 the company. PG&E --

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1 THE COURT: The parent, yes, I know that.

2 MR. SINGLETON: Right. PG&E the utility's been here a
3 long time. They keep the lights on. They employ tens of
4 thousands of people. PG&E the company exists -- they're the
5 ones that paid out 4.5 billion, as Judge Alsup noted in
6 shareholder --

7 THE COURT: No, I'm --

8 MR. SINGLETON: -- disbursements --

9 THE COURT: I'm aware of that.

10 MR. SINGLETON: -- certainly -- while this was
11 happening. So if they were to go out of business as opposed to
12 the utility, that would not necessarily be a bad thing. And
13 one of the things that to me is the most disturbing is for PG&E
14 to come in here and say, we need two things. One is a bailout
15 from the taxpayers, and the other is changes in the liability
16 laws in order for us to be viable.

17 That is a real concern, and the thing that I want to
18 caution the Court on is obviously no one has a crystal ball,
19 but certainly all of us do vote-counting and all of us are very
20 involved in what's going to happen in the legislature. And I
21 would be very surprised if PG&E gets this change in liability
22 laws that they seem to be banking on.

23 So I think that, when we're talking about a plan, PG&E
24 is attempting to use this process to get those two things they
25 want, the bailout and the changes in liability laws. I don't

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1 think it's going to happen, and I think it is very important
2 that we look forward and prepare for a future where, come July
3 or whenever it is they vote on this, they don't get the votes
4 and we have to do a plan that exists under current law.

5 THE COURT: Okay.

6 MR. SINGLETON: So thank you.

7 THE COURT: Thank you, Mr. Singleton.

8 All right. By my count --

9 MR. FELDMAN: Your --

10 THE COURT: Yes, sir.

11 MR. FELDMAN: Your Honor, again it's Matthew Feldman
12 from Willkie Farr. Could I be heard very briefly?

13 THE COURT: Well, I was just going to say -- I was
14 going to ask if there's anyone else that wanted to be heard,
15 and you're up. Go ahead, Mr. Feldman.

16 MR. FELDMAN: Thank you. Your Honor, I wanted to make
17 one comment to correct the record and one other comment. Your
18 Honor, we have in fact filed a 2019 statement with respect to
19 our group. And while Baupost is a member of our group, I think
20 the 2019 stands for itself, and Ms. Dumas' comments are not
21 really accurate. But I'll leave that to people who want to
22 look at the 2019.

23 With respect to Mr. Karotkin's representations with
24 respect to our group, we don't contest anything Mr. Karotkin
25 said earlier.

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1 Finally, Your Honor, we do share people's concerns
2 about the length of exclusivity and would prefer a shorter time
3 period. But we certainly accept the Court's point that, if
4 there comes a time when we are able to put forward a viable
5 plan, notwithstanding exclusivity not being shortened or
6 terminated, we certainly plan to be back before the Court with
7 that plan and argue at that time that we ought to be entitled
8 to file it and prosecute it.

9 With that said, Your Honor, again we favor a somewhat
10 shorter time period. We think long deadlines just fill
11 themselves, but we leave it to the Court's discretion. Thank
12 you.

13 THE COURT: Okay. Thank you, Mr. Feldman.

14 Mr. Karotkin, do you wish to make any closing comment?

15 MR. KAROTKIN: Thank you, Your Honor. Stephen
16 Karotkin, Weil, Gotshal & Manges for the debtor. I think that
17 you made quite a telling remark earlier when you said -- and I
18 think this is almost exactly your words -- it's inconceivable
19 that even if all of the problems were resolved tomorrow, it
20 would still be a long time before the debtor could file a
21 viable plan or get -- or reasonably --

22 THE COURT: I'm just thinking about the book you'd
23 have to do. That's all.

24 MR. KAROTKIN: Okay. But I think that sort of puts
25 where we are in perspective. And I think with respect to Ms.

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1 Dumas' comments, we want to work with their committee to try to
2 reach a consensual resolution. We want them to help us get the
3 information necessary to do that, and that's why we will be
4 with them this afternoon. So far, they're resisting it. They
5 have an entire database of information which they're not
6 willing to turn over to us. We want to get moving. We want to
7 get the victims paid as soon as possible.

8 The gentleman from the Singleton Law Firm is
9 suggesting that these claims should go back to the state court
10 system, where it would take years to resolve. What we want to
11 do here is get a resolution like in other mass tort cases,
12 where we can propose a plan, perhaps fund a trust so
13 distributions can be made a lot faster than the tort system.
14 And we're hopeful that in the negotiation process, if we have
15 that opportunity, we're confident we can reach a consensual
16 plan.

17 THE COURT: Listen. It's not my role to tell
18 experienced lawyers how to behave, and I'm not going to tell
19 you how to behave. But you might want to have a one-on-one
20 conversation with Mr. Singleton just to explain to him what you
21 just touched on with me, that he may think that you are going
22 to send all this stuff back to the superior courts or to Judge
23 Alsup or to me, and he may hear it from you about your outlines
24 of trusts and channeling and claims estimation in the
25 aggregate. But that's neither here or there. So I'm really

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1 not telling you what to do, but it might be helpful just to --

2 MR. KAROTKIN: I'm more than happy to have a

3 conversation with him.

4 THE COURT: -- just to have a conversation with him,

5 which is not to say not to talk to the entire official

6 committee and their counsel. Okay. I got you --

7 MR. KAROTKIN: Thank you.

8 THE COURT: -- Mr. Karotkin.

9 Listen. I'll repeat what I said early to Ms. Dumas
10 and her clients. The fact that I happen to have been the judge
11 in the prior case is a fact, and I'm not making decisions today
12 based upon what was made in the prior case, because as she
13 said, we didn't have the fire victims. We did have a large
14 number of tort claimants, but they were not the reason why the
15 bankruptcy was filed. And in fact, there was a discrete
16 category of people that perhaps would have never been otherwise
17 in the state court if the other bankruptcy hadn't occurred.

18 But the point is there was a relatively large --
19 nothing by these numbers -- set of tort claimants that had to
20 be dealt with in a different way. But in this case, I am
21 mindful of what the tort victims have been through -- not
22 personally what they're through, other than to read their
23 accounts and hear from them -- and I'm not going to sort of
24 make rules today that are based upon what happened in a case
25 that, for the most part, had nothing in common with what these

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1 victims have been putting up with and exposed to.

2 But for today, it's a discrete question. I am mindful
3 of the different points of view. It should come down to a
4 simple matter of picking a number and a date. I'm going to
5 stick -- my instincts were to go with the debtor this morning,
6 but I'm going to go with the recommendation of the official
7 creditors committee, because again I don't minimize the role
8 played by the tort claimants and what they want to have done.

9 The door is half open to the ad hoc committee, the
10 tort claimant committee, or any other party who believes
11 there's a way to come up with a credible, potentially
12 confirmable plan, other than what the debtors' counsel may
13 have. And whether that may or may not involve legislative
14 change isn't for me to talk about, and the legislature will do
15 what it chooses to do or not do what it chooses not to do.

16 But the official creditors committee's position is
17 kind of a combined point of view from those expressed by
18 others. So I'm not doing this as a mathematical compromise.
19 I'm doing it from both history and also the point of view that
20 Mr. Bray expressed, and I think it's a compromise. It is a
21 signal to the debtor, get on with it, but the debtor's lawyer
22 said they're already on with it. I believe them. If Mr. Bray
23 and the official creditors committee have a way to move things
24 along, that's fine, and I will keep open about either
25 shortening the time if there's reason to do so or extending the

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1 time if there's reason to do so there.

2 So I will grant the motion by the debtor but only with
3 a four-month extension. I will ask Mr. Karotkin and Mr. Bray
4 just to submit a simple form of order. It's very simple. It
5 doesn't need findings or conclusions or legal reasoning. It
6 can be just, in my discretion based upon the matters that were
7 discussed today and the arguments of counsel and of the
8 parties, that's what I choose to do.

9 I think it would be a good idea to take a break just
10 for everyone's personal convenience, and then we'll deal with
11 the wildfire assistance.

12 Mr. Karotkin, I assume you -- and Ms. Dumas -- you
13 want to have ample time for your clients to be heard and the
14 other parties, and so we should anticipate running into the
15 noon hour. You don't want to break until the afternoon, right,
16 because you've got your meetings planned?

17 MR. KAROTKIN: No, sir.

18 THE COURT: Okay.

19 MR. KAROTKIN: We will not be very long.

20 THE COURT: Okay. Then we'll take a ten-minute break,
21 but every time I promise a ten-minute break it turns out to be
22 about fifteen minutes. But I will see you in ten minutes.
23 Thank you.

24 (Recess from 10:56 a.m., until 11:03 a.m.)

25 THE COURT: They're all paying no attention to me.

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1 So we bang on the gavel?

2 No, they're coming back in.

3 Okay, we're ready to resume. And for people in the
4 overflow courtroom, the mothership in Washington is aware of
5 our problems with the hookups, and we'll do our best. If we
6 lose the connection to the courtroom next door, we'll just hold
7 things until we can restore it. But at least now, it's back in
8 place.

9 So we'll resume the debtor's motion for the wildfire
10 assistance program.

11 Mr. Karotkin, I've got a couple of preliminaries,
12 unless you want to make a preliminary comment or a statement.

13 MR. KAROTKIN: I'll make a very preliminary comment.
14 Your Honor, we believe that the pleadings are self-explanatory.
15 They explain what we would like to do. We are ready, willing,
16 and anxious to fund the assistance fund as described in the
17 pleadings. We are willing to fund the 105 million dollars.

18 We are not willing to commit to any more than that.
19 We don't believe there is a basis to compel the debtor to fund
20 more than it is voluntarily willing to do. To the extent that
21 the Court believes that there is some merit to Mr. Julian's
22 cross-motion, as we said in our response of pleadings, that can
23 be set for another hearing.

24 We are open to some constructive consultation rights
25 by the UCC and by the tort committee but are concerned about

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1 expense and delay in that regard, because we are anxious for
2 disbursements to be made by the administrator from the fund.
3 But again, we're happy to work with them on those consultation
4 rights if that will move it forward.

5 And as I said, we're anxious, we're ready, we're
6 willing to fund the 105 million dollars. That is our
7 commitment.

8 THE COURT: And what are the specifics about
9 identification of the administrator?

10 MR. KAROTKIN: We've spoken with the unsecured
11 creditors committee and with the tort committee with respect to
12 a few potential candidates. I believe -- and Mr. Julian can
13 correct me -- I think that the tort committee has agreed with
14 us on one potential candidate, and I don't know the status of
15 the discussions with the unsecured creditors committee.

16 THE COURT: Okay. Well, let me make some preliminary
17 comments, and then I'll hear from anyone who wants to be heard.
18 First of all, it's important to note that there simply has been
19 no opposition to the motion, which is a good thing, and I am
20 not opposed to it. And therefore I think I'll be granting it
21 in some fashion.

22 I agree with Mr. Karotkin the so-called cross-motion
23 by the tort claimants committee is -- leaving aside whether it
24 was procedurally proper, I don't think there's any provision in
25 the law that permits it, so I have no discretion there. The

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1 debtor has voluntarily chosen to come forward and offer to put
2 up in round numbers the hundred million dollars plus the five
3 million dollars to administer the fund, and I cannot under any
4 theory of the law second-guess or impose an increased amount.

5 And I do think that the comments from the various
6 creditors -- the United States Trustee, the International
7 Brotherhood, and the official creditors committee -- needs to
8 include some safeguards. I had in mind that perhaps if I'm
9 asked to select the administrator that that would be my job,
10 but if the parties can come to an agreement on who that person
11 is, that's better.

12 What I would want to happen, unless someone thinks it
13 would be inappropriate, would be for that person to be
14 identified promptly, and that person then meet promptly with
15 perhaps a subcommittee of representatives from the two
16 committees and the debtor and the United States Trustee, if the
17 United States Trustee wishes to participate, to come up with
18 some specific rules of procedure.

19 I do agree that the debtor and the official unsecured
20 creditors committee are correct; this has to be a dollar-for-
21 dollar basis. To me it's not -- what I mean by that is that,
22 if money is paid to a victim, there has to be some credit
23 forward at some point, and it has to be treated as on account
24 of a claim that that victim has.

25 I don't want to diminish the importance of proper

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1 claims, but in my experience in lots of cases where there are
2 mass torts and compensation procedures, there are a small
3 number of claimants who aren't claimants. So there has to be
4 some provision to make sure that the people who are asserting a
5 claim under this procedure are proper claimants rather than
6 improper ones.

7 And I simply disagree with Mr. Julian and the tort
8 committee that there has to be some sort of confidentiality of
9 the identification of who the recipient is or what the
10 recipient gets. The fact that PG&E did this in 2015 in the
11 Butte Fire is a historical fact, but the company wasn't in
12 bankruptcy, which we spent the morning talking about whether
13 there could be a plan. If there is a plan, people who want to
14 participate under the plan will have to have claims, claims
15 under penalty of perjury, claims subject to objections if
16 they're improper, or claims that must be reduced on account of
17 payments that were made that would necessarily as a matter of
18 law reduce the claim.

19 So I don't mind making sure it's not in the front page
20 of the newspaper that a particular person gets a certain amount
21 of money, but there has to be an accountability from the debtor
22 at least in the court records that reflects something of that
23 nature. And so I think it'll be my hope that the administrator
24 and representative have a working group to figure out what the
25 appropriate rules of procedure be and agree with what you said,

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1 Mr. Karotkin -- get on with it.

2 The faster we can get this process moving, the better.
3 And if we had an administrator today, I would congratulate that
4 person and say, go into the conference room and sit down with
5 the committees and outline the ground rules.

6 So Mr. Karotkin, unless I've said something that
7 offends you, let me hear from the opponents here, and then I'll
8 certainly give you an opportunity to respond. You want to --

9 MR. KAROTKIN: No, no, I --

10 THE COURT: Did I say the wrong thing?

11 MR. KAROTKIN: You didn't offend me today, sir.

12 THE COURT: Okay. I'll do it on some other day.

13 MR. KAROTKIN: No, we totally agree, and we're more
14 than happy to sit down -- once we have an administrator, sit
15 down and work out the details with the subcommittee as you
16 suggested.

17 THE COURT: And I don't think it's helpful to get into
18 a bankruptcy lawyer debate about if I authorize this -- which I
19 said I will -- whether it's under 363 or whether it's under
20 some other section of the bankruptcy code or 105 or whatever.
21 It's an appropriate remedy. There are others that will claim
22 it's not enough money, but that's not the point.

23 And certainly we don't want a situation that occurred,
24 for example, in the Robins case back so many years ago, when
25 the court on appeal was presented with a challenge because

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1 there were objectors to that proposal for paying various
2 victims then. Here, there don't appear to be any challenges,
3 and therefore it's important to go on with it.

4 So I wouldn't necessarily worry about a label. I
5 would say that we're doing the right thing, and making payments
6 to persons who are entitled to be paid under the law, and
7 getting on with it as soon as we can. And by the way, the one
8 thing that became obvious to me as I thought about this and
9 read the debtor's motion again is that there may be two victims
10 side by side, one of whom is far more needy than the other.
11 One may have insurance, one may not. One may not have lost a
12 primary residence but in fact lost some other valuable asset,
13 and the other having lost a principal residence and no other
14 option.

15 So this is a procedure that is ad hoc in the sense
16 that it's taking care of exigent circumstances under exigent
17 conditions for the people most needy. And therefore a next
18 door neighbor might not get a short-term remedy under this
19 proposal, because his or her situation is different. And
20 that's for the administrator and the proponents and what I
21 would hope would be a working committee of people to make these
22 rules and put them in place and implement them.

23 So with that, I'll ask for -- Mr. Julian, are you
24 going to do the work today, or are you going to let --

25 MR. JULIAN: Yes, Your Honor.

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1 THE COURT: Ms. Dumas -- you're not letting her have
2 it, right? You want at me on your own. All right.

3 MR. JULIAN: Robert Julian of Baker Hostetler
4 appearing on behalf of the tort committee. Your Honor, we have
5 never formally introduced you to the chair of the tort
6 committee.

7 THE COURT: Actually, I have.

8 MR. JULIAN: Ms. --

9 THE COURT: I think she was at a prior hearing.

10 MR. JULIAN: -- Karen Lockhart, if you would stand up.

11 THE COURT: Thank you, Ms. Lockhart. Appreciate your
12 coming here and all the folks with you. I'm glad you came.

13 MR. JULIAN: She lost her father in the Cascade Fire,
14 and we also have Angela Loo --

15 THE COURT: Thank you for coming, Ms. Loo.

16 MR. JULIAN: -- lost her father and brother in the
17 Camp Fire. Also with us is a third member of the committee,
18 Greg Wilson.

19 Stand up.

20 THE COURT: Mr. Wilson, thank you for coming.

21 MR. JULIAN: He and his wife, Christina (phonetic),
22 survived after living in their pool in the North Bay as the
23 fire raged over them and burned them and believing they were
24 going to die. And they're helping us with this case, Your
25 Honor.

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1 THE COURT: Appreciate their efforts.

2 MR. JULIAN: I would like to first clear up -- before
3 addressing the business judgment rule and two legal points that
4 I'm going to ask you to rule upon today, I would like to clear
5 up the fact that in our joinder objection and cross-motion, we
6 consented that the administrator should turn over the names and
7 the dollar amount to PG&E so that they could determine whether
8 there should be a deduct in this case on the claims.

9 What we objected to was PG&E's attempt to obtain claim
10 information and confidential information from these people on
11 the application form submitted to the administrator.

12 THE COURT: But they'd have to do that with FEMA,
13 right? And they'd have to do it with other governmental
14 programs. I mean, I was recently involved in a case where a
15 woman was ripping off the State of Oregon because she falsified
16 her employment records in order to get welfare checks. I mean,
17 it's just normal when you ask for relief, certainly from a
18 governmental agency -- this is not a governmental agency -- you
19 have to say why you're entitled to it or show what would
20 disqualify you from getting it. What's so different about
21 that?

22 MR. JULIAN: They will get that information in
23 discovery in this case and --

24 THE COURT: But why in discovery?

25 MR. JULIAN: -- it will show --

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1 THE COURT: But why in discovery? Why not -- listen,
2 if Ms. Dumas persuaded me to break exclusivity an hour ago and
3 I did, and the debtor filed a plan tomorrow and there was a
4 claim's deadline, every one of the victims would have to file a
5 proof of claim and be subject to whatever proper inquiry as to
6 the entitlement to the claim.

7 MR. JULIAN: We disagree, Your Honor, and I'd like to
8 move to the next point.

9 THE COURT: What's different about that? But what's
10 different about that?

11 MR. JULIAN: This is a company that today is serving
12 illegal questionnaires on our clients in the camp fire
13 attempting to find out information.

14 THE COURT: Well, I don't know about that.

15 MR. JULIAN: Well, Your Honor, I feel we've lost the
16 moral center of this case. This company that's trying to
17 obtain the information is a convicted felon three floors up
18 above us.

19 THE COURT: Mr. Julian, let's focus on today's motion.
20 The procedure is a procedure to get a hundred million dollars
21 out to your constituents.

22 MR. JULIAN: May I turn to two the legal points --

23 THE COURT: Let's stick with that.

24 MR. JULIAN: -- I'm going to ask you to rule upon?

25 THE COURT: Go ahead.

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1 MR. JULIAN: The first question is, do the debtors
2 need to comply with California law once they establish a
3 program?

4 THE COURT: I know your argument the California law
5 was persuasive. This is a federal bankruptcy court. And the
6 federal bankruptcy court, which is federal law, says the order
7 of distribution -- if you want me to impose an order of
8 distribution, I'll be forced to deny this motion. You don't
9 want me to do that.

10 MR. JULIAN: Well, then --

11 THE COURT: I don't want to do it. So --

12 MR. JULIAN: May I address that, Your Honor?

13 THE COURT: So let's not forget that the federal court
14 has a section called 507 that says how people get paid, and we
15 are going to have an anticipation -- we're going to pay a
16 hundred million dollars in anticipation of complying with 507
17 and all the priority scheme of the Bankruptcy Code.

18 MR. JULIAN: May I address that?

19 THE COURT: Yes, sir.

20 MR. JULIAN: You've just raised whether the debtors'
21 business judgment permits it to do what it can under 363(b).

22 THE COURT: Um-hum.

23 MR. JULIAN: They are not doing this out of the
24 goodness of their heart. As you heard Mr. Karotkin say,
25 there's a gating issue in this case with respect to obtaining

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1 legislative relief. And in their 10Q that they filed on May 2,
2 which I attached to my declaration, they identified the
3 governor's strike force recommendations for three legislative
4 proposals that they need in order to reorganize in this case.
5 The liquidity fund that can bridge Senate Bill 901 funding,
6 changes in the law with respect to inverse condemnation, and a
7 wildfire victims fund to stabilize California for future fires
8 that will help the credit rating of this company and other
9 utilities.

10 THE COURT: Um-hum. Right.

11 MR. JULIAN: And it is important that they cannot
12 obtain that legislative relief in their view, which is why they
13 filed this motion, unless they get the support of our victims,
14 the legislator, and the governor. And they are a pariah in
15 Sacramento.

16 And it's important, Your Honor, for you, I believe, to
17 hear us out on why they need this in order to reorganize and
18 why it is business judgment and it is a post-petition expense
19 for them, just like they hired a PR representative or made a
20 charitable contribution which is, if you read the declaration
21 of Mr. Williams, their answer to our interrogatory, why they're
22 doing this. They're not doing it out of the goodness of their
23 heart.

24 They need our consent. They need our support in
25 Sacramento. And the reason why they need our support in

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1 Sacramento is because they admitted in their PUC testimony in
2 2015, right before the 2015 Butte Fire happened, that when a
3 catastrophic event like this happens, it produces, quote --
4 this is attached to my declaration of Exhibit A -- it produces
5 "devastating nationwide broad-based political pressure
6 demanding intense long term outreach to policymakers and key
7 stakeholders.... Relationships are severed... trust is
8 completely lost."

9 They did not file this in order to pay a pre-petition
10 claim. They filed it as a business expense to obtain the
11 consent of the legislators and the governor who is charading
12 them or shredding them in his weekly announcements.

13 Just two weeks ago, three floors above, Judge Alsup
14 stated, quote -- this is attached to my declaration as Exhibit
15 G, the hearing transcript of the sentencing of PG&E for
16 willfully concealing the Butte County's investigation of
17 whether they committed homicide --

18 THE COURT: Lower your voice. Come on. You are an
19 officer of the court. Do not raise your voice.

20 MR. JULIAN: Thank you, Your Honor.

21 Judge Alsup, I just -- "I just don't think PG&E has
22 put safety first." That's today. Then, "PG&E directors and
23 PG&E senior executive leadership were ordered to meet with
24 local officials in Paradise, California in San Bruno, including
25 tours of those communities, so the leadership can see the

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1 gravity of what happened up there."

2 I feel the professionals on this side of this podium
3 have lost sight of the moral center of this case that Judge
4 Alsup has focused on and that he is forcing the new leadership
5 of PG&E to go up there to Paradise to learn what I have, which
6 is why I feel so passionately about this case and I feel I must
7 address this issue --

8 THE COURT: Well, I know --

9 MR. JULIAN: -- of why this is a business expense.

10 THE COURT: I'm not faulting you for passion. I'm
11 going to approach you the same way I approached your colleague.
12 What do you want me to do? I have two choices today.

13 MR. JULIAN: Here's what I want to do --

14 THE COURT: I have three choices. I can't go with
15 your third choice of increasing the amount. So I have two
16 choices today: approve the plan or disapprove it.

17 MR. JULIAN: May I be heard on that, Your Honor?

18 THE COURT: Well, by all means, that's --

19 MR. JULIAN: Well, may I be heard on the two legal
20 points I want you to rule upon?

21 THE COURT: But I want you -- but at the end of the
22 presentation, you have to give me your recommendation for your
23 client.

24 MR. JULIAN: I am. I will do so, but I feel I --

25 THE COURT: Go ahead.

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1 MR. JULIAN: Your Honor, we have forty victims here
2 today. I think we're entitled to be heard.

3 THE COURT: Mr. Julian, if you had no victims here
4 today, I'm listening to you.

5 MR. JULIAN: All right.

6 THE COURT: I'm just trying to keep your focus not on
7 Judge Alsup, not on the board of directors. On my assignment
8 today I have to go yes or no on a motion by this debtor to pay
9 a hundred million dollars to your constituents.

10 So that's the focus. You can make your further
11 argument. I'm not going to -- I'm not mad at you. I enjoy
12 your advocacy. I just don't want you to yell at me. So make
13 your argument.

14 MR. JULIAN: Your Honor, if the debtors asked you to
15 approve the sale of the headquarters of PG&E's office here in
16 San Francisco and build a new, cheaper office in Walnut Creek,
17 and you approved it under Section 363(b)(3), they would have to
18 comply with California State Law to get the permit.

19 THE COURT: Correct.

20 MR. JULIAN: And I would like this Court to rule on
21 whether on my point that the victim assistance law and the Good
22 Samaritan laws in this state are entitled the same dignity as
23 the building permit in Walnut Creek. Once they -- their
24 motion, Your Honor, is not to fund 105 million dollars. Their
25 motion is in two parts. And you have the discretion to rule my

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1 way and help these people today.

2 Look at their motion, the first page; it says to
3 approve a program and then to approve funding. I am not being
4 cute when I broke that up into two parts. It's just like
5 approving the building in Walnut Creek and then going out and
6 getting the permit.

7 THE COURT: I'm having trouble with the analogy. I'm
8 a great analogizer (phonetic), but I don't understand the
9 analog7. So let's --

10 MR. JULIAN: Here's my analogy: once they approve the
11 program, they have stepped into the box, and again, they're
12 approving the program to get their plan approved with victim
13 assistance and legislators. It's a post-petition operating
14 expense. I don't even think it's outside the ordinary course
15 of business. Heck, they did it down there in Butte for the
16 same reason.

17 THE COURT: They weren't in bankruptcy.

18 MR. JULIAN: But they --

19 THE COURT: They weren't in bankruptcy.

20 MR. JULIAN: But the point is, Your Honor, it's a
21 normal business operating expense, just like charitable
22 contributions and PR expenses are to get legislators.

23 THE COURT: And so therefore, I should do what?

24 MR. JULIAN: Here's the point. Here's the point.

25 THE COURT: By the way, I already said I don't think

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1 we need to get bogged down on what section I'm relying on.

2 MR. JULIAN: Here's the point: once they step in the
3 door --

4 THE COURT: I said -- Mr. Julian, you have to hear me
5 out.

6 MR. JULIAN: All right.

7 THE COURT: I said in my opening comment, there were
8 no objections to this plan and I -- proposal,

9 MR. JULIAN: The creditors' committee did object.

10 THE COURT: No, they didn't. They have guidelines.
11 They have procedures. So I didn't --

12 MR. JULIAN: They objected to the hundred million.

13 THE COURT: I'll come back to you.

14 Look, my job is to decide whether to grant this motion
15 or not. I said that I didn't think it was necessary to decide
16 whether it's under 363 or 105 or some other section. If you
17 think it is, then that's your point. But what is the point?

18 MR. JULIAN: The point is I would like you to rule on
19 my two points that --

20 THE COURT: Yes.

21 MR. JULIAN: -- once you establish a program, and
22 you're out there asking one of my clients to walk in the door
23 with his application, you cannot abandon him under the law if
24 you are the one who made him the victim. And they have
25 admitted --

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1 THE COURT: I understand.

2 MR. JULIAN: -- they have admitted that their
3 equipment did this. They are culpable. The only question is
4 whether it's homicide or manslaughter with respect to camp fire
5 because they knew in advance that that tower was going to fail.
6 It's a serious issue, Your Honor.

7 And so once someone who's accused or being
8 investigated and admits culpability because their equipment
9 failed and they seek to assist the victim, under our Good
10 Samaritan laws in California and our negligence standards, they
11 may not walk away.

12 The case that I cited to you involved the truck
13 driver --

14 THE COURT: No, I know it did. I looked at the case.

15 MR. JULIAN: -- who injured a person.

16 THE COURT: I looked at the case.

17 MR. JULIAN: He was held liable because he walked
18 away.

19 THE COURT: It was not a bankruptcy --

20 MR. JULIAN: They cannot walk away.

21 THE COURT: It was not a bankruptcy case.

22 MR. JULIAN: Correct. And if this was a pre-petition
23 claim, I would agree.

24 THE COURT: You don't think it's a pre-petition claim?

25 MR. JULIAN: Not when they need to do it in order to

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1 get the legislators --

2 THE COURT: Well, what if they don't? What if the
3 legislature tells him, solve your own problems? Am I to --
4 does that moot the motion?

5 MR. JULIAN: No. The directors -- they said in their
6 motion that the directors in senior management met and
7 determined that it would be appropriate to establish the
8 Wildfire Assistance Program to provide some relief to the
9 people who lost their homes and are currently in need of
10 temporary housing or have other urgent needs. And I'm showing
11 you the evidence.

12 THE COURT: So your point is then, if I understand you
13 correctly, and this is perhaps why you used your building
14 permit request, that if I grant this -- or that I should order
15 the debtor to make these payments under California law, and
16 therefore, payments made of a fixed dollar amount to a
17 particular victim on account of a particular injury is not to
18 be treated as a payment of that victim's -- a portion of that
19 victim's claim.

20 MR. JULIAN: Not when they're doing -- yes.

21 THE COURT: And that's what your position is.

22 MR. JULIAN: It could be a credit, but they're doing
23 it -- the operating expense is just like paying a lobbyist.

24 THE COURT: Well, but I'm not --

25 MR. JULIAN: It's goodwill they're trying to generate.

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1 THE COURT: Mr. Julian, I'm deciding -- the debtor
2 asked me for permission to make this payment, and --

3 MR. JULIAN: Under their charity.

4 THE COURT: -- and your position is they have an
5 obligation to do it, but you still haven't answered the
6 bankruptcy question. Is it or isn't it a payment on account of
7 a pre-existing claim? What's the bankruptcy answer?

8 The operative document, all the case law, all the
9 Ninth Circuit law says, the operative facts occurred. The camp
10 fire occurred in November of 2018, so all that flows from that
11 in my mind are pre-petition claims. Not -- they don't become
12 post-petition claims because of a legal theory, but --

13 MR. JULIAN: No, they don't.

14 THE COURT: You tell me, then.

15 MR. JULIAN: They don't.

16 THE COURT: So if I authorize the petition -- the
17 request, and I don't try to put a legal code section on it and
18 the debtor hands over a hundred million dollars through this
19 procedure, do you agree that they are credits against any
20 claims that the particular recipients have?

21 MR. JULIAN: It depends on what the payment's for.

22 THE COURT: Well, the motion says what it's for.

23 MR. JULIAN: No.

24 THE COURT: It's to -- it does indeed.

25 MR. JULIAN: Your Honor --

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1 THE COURT: The motion describes it for replenishing
2 their needs for their housing and other similar causes.

3 MR. JULIAN: I will --

4 THE COURT: That's what the motion says.

5 MR. JULIAN: I will answer that hypothetical this way.

6 THE COURT: Okay.

7 MR. JULIAN: If the individual who receives the money
8 has in his claim that he will file here the exact same
9 humanitarian assistance request damage and it's paid, yes, it's
10 a credit.

11 THE COURT: But what if the victim doesn't file any
12 claim? Does the victim have a proof of -- have a shareable --
13 an allowable claim in the bankruptcy?

14 MR. JULIAN: I would have to think about that one,
15 Your Honor.

16 THE COURT: Well, but I don't have to think about it
17 because all these events occurred pre-petition. We've been
18 spending time this morning talking about claims bar dates.
19 Unfortunately, the victims that you speak for don't have their
20 names and amounts on the schedules because they're claims are
21 unliquidated for the most part.

22 MR. JULIAN: I --

23 THE COURT: There are some exceptions. Mr.
24 Singleton's 2015 Butte folks have quantifiable liquidated
25 claims, but the vast majority of the 2017 and 2018 victims do

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1 not, and I'm not surprised.

2 But the point is, unless I'm wrong, the debtor has
3 asked for permission to make these payments and the unsecured
4 creditors' committee has said that's critical to have it be
5 that way, and I believe it is too.

6 So if you're --

7 MR. JULIAN: So I'd like to --

8 THE COURT: -- if you're telling me that nothing pre-
9 petition counts, then it's a whole different ball game.

10 MR. JULIAN: No, I haven't said that.

11 THE COURT: Okay.

12 MR. JULIAN: What I have said it this: if the
13 governor issued an executive order that said I'm not going to
14 propose the legislation that you want until I see you do good
15 charitable acts for the people in Paradise by paying them 250
16 million dollars, the exact amount you're paying your employees
17 for bonuses. And the governor said, that's the type of good
18 works I want to see you do, PG&E, to restore the fact that
19 you're a convicted felon and lied about gas falsification
20 records.

21 If the governor said that, and they then pay the 250
22 million, admittedly on a pre-petition debt, would anyone here
23 dispute that that's an operating expense that they needed to
24 get to show the governor that the legislation be passed?

25 And Your Honor, that is exactly what's happening in

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1 this case.

2 THE COURT: I don't -- look, you're mixing a bunch of
3 concepts --

4 MR. JULIAN: It's an operating expense.

5 THE COURT: -- that whether it's an operating expense
6 or not, it, to me, is irrelevant. To me, my job and my
7 authority is to authorize this debtor to pay people who hold
8 potential -- or not potential -- actual claims that have not
9 yet been liquidated. And to the extent that they are disputed
10 because there may be some people that simply don't have claims,
11 which I hope aren't many or any, that they're doing the right
12 thing.

13 Exactly what would've happened if we were sitting here
14 having a plan confirmation today, and the debtor said, the
15 plan's confirmed now and in Class A is all the victims, and
16 they are going to be paid in the following manner. And that's
17 what would happen. That's exactly what would happen if we got
18 to that point.

19 MR. JULIAN: If that's the case, then why did their
20 answer to our interrogatory, which I attached to Brent
21 Williams' declaration citing that this is permitted by Section
22 4.9 of the creditor agreement which is a charitable claimant.

23 THE COURT: I don't --

24 MR. JULIAN: But they're not doing it for that reason.

25 THE COURT: Mr. Julian, I don't know how to answer

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1 that question. To me it's a bankruptcy question: can they pay
2 it or not? If they --

3 MR. JULIAN: Here's the chaos it's going to create --

4 THE COURT: If they don't have a legal obligation to
5 pay it, then they probably have no business paying it -- a
6 bankruptcy business payment.

7 MR. JULIAN: Then you haven't --

8 THE COURT: Let's try it a different way. If someone
9 comes in and says, you know, I wasn't even in Northern
10 California during the fires, but I'd like to get my share of
11 this hundred million. And Mr. Karotkin gets up and says, yeah,
12 give them the check. That would be wrong. That would be a
13 gift of corporate assets. And the debtor, for giving that
14 money away to someone to whom there is no liability, would be
15 subject to very serious criticism.

16 MR. JULIAN: Yes.

17 THE COURT: And you know as well as I, that's exactly
18 what management would get in trouble for for giving away
19 corporate assets, particularly as a debtor-in-possession as a
20 fiduciary.

21 MR. JULIAN: They're doing it because Judge Alsup said
22 you have to restore California's confidence in you.

23 THE COURT: I'm not in Judge Alsup's role today. My
24 job is my job in this motion.

25 So anyway, go ahead with --

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1 MR. JULIAN: So may I explain the chaos --

2 THE COURT: You wanted me to make two legal rulings.

3 What are they?

4 MR. JULIAN: Yes. I want to know whether you agree or
5 disagree with our point that Brooks (ph.) v. Willis (ph.) and
6 Browne v. Turner apply in this case. Once the program is voted
7 on by the board as necessary to the reorganization of this
8 company, can they do it in a reckless way?

9 May I tell you the chaos that I think is going to
10 happen as shown by the declaration of Kirk Trostle, the former
11 police chief of Chico, who lost his home.

12 THE COURT: I read his declaration.

13 MR. JULIAN: And what you have, Your Honor, is you're
14 going to have the first in applications, where people get a
15 couple hundred thousand dollars --

16 THE COURT: Well, maybe they won't get a couple
17 hundred thousand dollars. Don't you think that's what the
18 administrator's going to do? If the administrator gets to be
19 empowered, he or she will figure out how Mr. Victim A isn't
20 going to get the jump on Victim Z, and A through Z or 500 Z or
21 5,000 of them, is try to come a fair and equitable result,
22 which is exactly what would happen if this case were in a
23 Chapter 7 bankruptcy.

24 If this were a liquidating case and there was twenty
25 cents on the dollar to go to creditors, there would be a period

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1 of time, and trustee would line up all the creditors and divide
2 the numerator by the denominator and everybody would get twenty
3 cents on the dollar.

4 The difference here is we have people, as you know --
5 I don't have to tell you; they're right here in the
6 courtroom -- who are suffering right now for what happened last
7 November. And we have the company saying we want to pay some
8 money to those people. And you're putting all sorts of labels
9 on, which maybe are right, but what I say is not wrong.

10 These are claims of these victims that are admittedly,
11 at the moment, unliquidated and potentially disputed, but the
12 company says, let's pay these people.

13 Now, you're saying, okay, but you get a result. You
14 get brownie points with Judge Alsup and the governor. Well, I
15 don't care about that. I care about -- and the creditors'
16 committee I believe cares about letting the debtor pay a
17 hundred million dollars when there's no legal precedent for it
18 under the bankruptcy laws.

19 Read the Robins case if you don't believe me. Look
20 what happened in Robins.

21 MR. JULIAN: Well, I filed Robins.

22 THE COURT: I know you did. Tort victims. Women who
23 were injured by the Dalkon Shield were told by the Court of
24 Appeals you don't get paid until there's a plan.

25 I don't want to impose that rule here, and I don't

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1 think you want me to impose that rule here.

2 MR. JULIAN: I don't.

3 THE COURT: So let's --

4 MR. JULIAN: But I do --

5 THE COURT: Let's just ignore Robins and the --

6 MR. JULIAN: I would like to explain to you --

7 THE COURT: Yeah. Go ahead.

8 MR. JULIAN: -- that the only evidence in front of
9 you, because I'm the only one who filed the declarations --

10 THE COURT: Right.

11 MR. JULIAN: -- is the declaration of Brent Williams
12 who --

13 THE COURT: Yes, you did.

14 MR. JULIAN: -- answered your question about the
15 administrator. He says, there are 20,000 households that are
16 eligible.

17 THE COURT: I know that. And some of what he said is
18 confidential.

19 MR. JULIAN: No --

20 THE COURT: So don't read the confidential.

21 MR. JULIAN: Well, actually, one --

22 THE COURT: I can't keep track of all of them. But
23 what I'm getting at is I read his papers. I know what he's
24 saying.

25 MR. JULIAN: So I'm answering your question about why

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1 the administrator's not going to be able to do it.

2 THE COURT: Well, I don't know why --

3 MR. JULIAN: Because if --

4 THE COURT: -- that's still not true.

5 MR. JULIAN: Well, he explained it.

6 THE COURT: The same way a Chapter 7 trustee would do
7 it. If --

8 MR. JULIAN: Your Honor, if I were to ask you to make
9 a -- to reject my proposed finding of fact or not, do you feel
10 comfortable telling me whether I have proven to you that the
11 motivation for this director and senior officer decision for
12 business judgment as an operating expense in this case was to
13 regain the good will of the people of California and the
14 legislator in order to try to confirm a plan of reorganization.
15 I think that's what the evidence shows. And I think if you
16 make that finding of fact, you have the chance today to order
17 replenishment -- subject to replenishment or more than the 105
18 million dollars.

19 THE COURT: And to what limit? What's the limit?

20 MR. JULIAN: Mr. Williams' declaration states that
21 it's around 313 million dollars or chaos will result --

22 THE COURT: Uh-huh.

23 MR. JULIAN: -- as people are -- neighbors are
24 fighting over this. We can't have neighbors, Your Honor, these
25 good people, fighting amongst themselves. They've suffered

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1 enough already.

2 THE COURT: Okay.

3 MR. JULIAN: Some of them don't even have water to
4 live on in their trailers and tents on their property in
5 Paradise.

6 THE COURT: And I hope the administrator can figure
7 out a way to make sure that that person gets paid because there
8 may be somebody who is a neighbor who has a house that didn't
9 burn, maybe who'd lost a trailer. I don't know.

10 MR. JULIAN: The administrator's going to have a very
11 hard time with a hundred million.

12 THE COURT: I understand. The administrator will have
13 a hard time with a hundred dollars, or a hundred million, or
14 500 hundred million. It's not easy.

15 MR. JULIAN: I fear we're losing a moment, Your Honor,
16 in this case, where we have an opportunity to do something
17 because of the way they framed their motion.

18 THE COURT: Okay. Well, let me see what the other
19 parties have to say. Thank you, Mr. Julian.

20 Let's hear from the creditors' committee.

21 MR. DUNNE: Good morning, Your Honor. For the record,
22 Dennis Dunne from Milbank, LLP.

23 THE COURT: Yeah, and Mr. Dunne, I didn't mean to call
24 you out of order. I mean, you don't really oppose this motion,
25 do you?

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1 MR. DUNNE: We -- we had filed an objection. We filed
2 an objection because we were compelled, Judge, frankly, by our
3 kind of duties and statutory mandate to point out Robins
4 (phonetic) to you, point out essentially that -- and the pre-
5 planned issues with this.

6 THE COURT: Yeah, I mean the document is called an
7 objection, I understand but it --

8 MR. DUNNE: And --

9 THE COURT: -- says what it says.

10 MR. DUNNE: No, and we also said, and this is the part
11 that Your Honor picked up astutely on, which is that were Your
12 Honor inclined to grant the relief, we think it had to be
13 tightly tied --

14 THE COURT: Right.

15 MR. DUNNE: -- to claims against the estate, fires for
16 which PG&E had liability, and some sense that this wasn't going
17 to be slippery slope, which I think the tort committee's kind
18 of showing, that they want more.

19 THE COURT: Well, I think Mr. Julian is saying I can
20 ignore all that, and just do it under 363, and call it business
21 judgment, and it's like building a building in --

22 MR. DUNNE: Well, I am happy to have that debate all
23 day long, Your Honor.

24 THE COURT: -- Walnut Creek.

25 MR. DUNNE: He's basically saying the doctrine of

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1 necessity isn't -- you know, you didn't even need the doctrine
2 of necessity to prove that paying pre-petition creditors
3 outside of a plan was necessary to preserve value in a going
4 concern. You could just do it under business judgment, under
5 363, and the whole priority scheme that Congress carefully
6 crafted doesn't matter.

7 THE COURT: Well --

8 MR. DUNNE: But we don't have to go there.

9 THE COURT: -- you know, the Supreme Court gave us
10 Jevic last year.

11 MR. DUNNE: The Jevic, and they were very clear on
12 that.

13 THE COURT: Jevic.

14 MR. DUNNE: They were very clear on that, Your Honor.
15 So you and I see it the same way on that. I don't have the
16 authority to withdraw the objection today but the committee was
17 cognizant of the fact that if you were inclined to do it, these
18 would be things that make it more palatable that we believe the
19 debtor should have done from the outset, and didn't in their
20 original motion.

21 THE COURT: Well, maybe you and I, Mr. Dunne, are
22 experienced lawyers, and I used to be one, and we know how to
23 talk in a little bit of code because you said we object but,
24 you know, here's how to do it if you really want to do it, and
25 the fact is I really want to do it, and there isn't a person in

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1 this courtroom who doesn't want me to do it, I don't think,
2 including you and your committee.

3 And so because if you said it's absolutely verboten,
4 cannot be done, you wouldn't give me fifteen ways to make it
5 work. Right? You didn't -- you won't need to. So the
6 question is, you know -- well, anyway, you don't have to say
7 anything.

8 MR. DUNNE: Oh, no, I know what you're -- and there's
9 a simple answer to that, Your Honor, is I don't have the
10 authority today --

11 THE COURT: I got it.

12 MR. DUNNE: -- to say withdrawn. We could take a
13 break. I could convene a committee call if that's --

14 THE COURT: I have the authority.

15 MR. DUNNE: You certainly have the authority, Your
16 Honor. You certainly have the authority to overrule the
17 objection. I believe the ad hoc committee of the bondholders
18 filed something similar, as well.

19 Your Honor, I did want to make one point while I have
20 the podium --

21 THE COURT: Sure.

22 MR. DUNNE: -- and this is actually addressing
23 something -- actually two comments of Ms. Dumas from earlier.
24 One is, I actually agree with her. I think that we can make a
25 fair amount of progress on a plan, and get -- and focus on

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1 getting large distributions out to the wildfire victims who
2 have endured, you know, unspeakable horror, and dislocation and
3 pain, as a result of those fires. And we should be focused on
4 doing that as quickly as possible, sharing the information, and
5 maybe we could do something that's not wholly dependent on
6 legislative relief. Happy -- we want to commit all the efforts
7 and resources of the committee to try to do that.

8 The second one is a correction, Your Honor. Counsel
9 for the tort committee also said, I believe their words were
10 that every other lawyer in the courtroom represents only
11 opportunistic, financial participants --

12 THE COURT: Well, I think Ms. Dumas said something
13 like that, yes, but --

14 MR. DUNNE: And I think we all know that with respect
15 to my client, the official committee of unsecured creditors,
16 that's inaccurate. We represent the entire class of unsecured
17 creditors, other than the wildfire victims.

18 THE COURT: I don't think she meant it literally. I
19 am sure there may be members of your committee then --

20 MR. DUNNE: I apologize for hearing it as uttered
21 but --

22 THE COURT: No, but there -- I'm sure there are
23 members of your committee, there may be some who may in the
24 future change their claims, and there are some that are
25 probably in for the long haul, and that's why --

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1 MR. DUNNE: And it's not all debt for borrowed money.

2 THE COURT: Yeah, no, I understand.

3 MR. DUNNE: We have employees, and trade creditors,

4 none --

5 THE COURT: I know you do.

6 MR. DUNNE: -- of whom wanted there --

7 THE COURT: You have a counterparty to a --

8 MR. DUNNE: -- to be a Chapter 11 or choose here --

9 THE COURT: -- power purchase agreement, as I recall.

10 MR. DUNNE: Exactly.

11 THE COURT: Yes.

12 MR. DUNNE: No, exactly. Exactly.

13 THE COURT: I think her point was that one thing I
14 think is absolutely correct that she said, and she said it on
15 the first day motion, virtually every creditor in this case,
16 except the victims of the many fires, were -- chose to be
17 creditors. There may be a few that didn't but you know, there
18 was some tort -- other tort claimants that are not fire victims
19 like the two that were here for the relief from stay last
20 month. They were involuntary creditors but I don't think -- I
21 think we know what we're talking about. The world of two --
22 what, twenty billion dollars' worth are generally people that
23 chose to be creditors --

24 MR. DUNNE: I understand.

25 THE COURT: -- but none of these victims chose to be.

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1 We got that.

2 MR. DUNNE: And, Your Honor, unless you have any other
3 questions for us, we're happy to just rest on the pleading.

4 THE COURT: No, I would like your thought on --
5 without breaching confidences, how this thing will work if I
6 approve it, you know, what's going to happen? Is my suggestion
7 doable of picking either consensual among the principal players
8 here, who the administrator is, or if not either telling me to
9 do it or the U.S. Trustee to do it, and then getting on with
10 it, with that person having a -- promptly getting -- rolling up
11 sleeves, and getting around a table, and mapping out the
12 details.

13 MR. DUNNE: The short answer is yes, Your Honor.
14 Meaning --

15 THE COURT: Mr. Julian says it's chaos. I mean, I
16 would like to think an administrator will figure out a way not
17 to allow chaos.

18 MR. DUNNE: That's their job description, and their
19 objective, Your Honor, and I think your point that it should be
20 incumbent on the debtors and the two official committees to try
21 to come up with that person as quickly as possible.

22 THE COURT: Yeah, but you know what I don't want to
23 do? I don't want my courtroom deputy to say one of the -- you
24 know, Mr. So-and-So wants to have a phone conference next week
25 on an emergency basis, and I'll say what's it about? And say

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1 they can't agree on an administrator. I'll name an
2 administrator if I have to. I don't think that the U.S.
3 Trustee has the sole role here but I am not going to have a
4 turf battle.

5 MR. DUNNE: Well, I think --

6 THE COURT: The job is to get --

7 MR. DUNNE: -- that's fair, Your Honor.

8 THE COURT: -- an administrator selected on --

9 MR. DUNNE: Right.

10 THE COURT: -- and on the job.

11 MR. DUNNE: Give us some short period of time to try
12 to do it consensually, and then we don't have to argue about
13 who it is. Your Honor can just select.

14 THE COURT: I mean, I will approve. I mean, my view
15 would be if the tort committee and the unsecured committee, and
16 the debtors -- and I'm not minimizing the role of the ad hoc
17 committees or anyone else, and I will say, and the U.S.
18 Trustee, if there's a consensus that X -- Mr. X or Ms. Y would
19 be perfect as administrator, and that person is willing to do
20 it, I'm not going to second guess that.

21 If I get a slate of people and I'm supposed to pick,
22 or if I get, you know, none of us can pick -- I thought about
23 this, I don't think this is -- if we call this person an
24 examiner, I think the U.S. Trustee has to make that decision.
25 I don't think the law tells me that I can't but I rather let

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1 the parties do it consensually.

2 MR. DUNNE: I agree. I don't think we're going to be
3 using the word examiner. It's more like a special master to
4 administer the fund that we've all --

5 THE COURT: Yeah, but I can't call him a special
6 master either.

7 MR. DUNNE: I understand. It will be some other --
8 we'll come up with the right nomenclature, Your Honor, but it's
9 not an examiner.

10 THE COURT: Yeah, and so you're somewhat sanguine, I
11 take it, about in short order, and this is for the victims, the
12 people that are listening, this is something, it isn't six
13 months, it's some shorter period, much shorter period of time
14 where there will be a designated person. That person will have
15 an organizational process with the principal committees and
16 find what kind of professional help he or she needs, and get on
17 with it.

18 And the next thing that I would do perhaps would be
19 sign the order that approves it, and the next thing after that
20 was that person would have a hundred million bucks to start to
21 figure out the right way to distribute it.

22 MR. DUNNE: And let me give the Court comfort that --
23 I mean, notwithstanding or pleading, assuming Your Honor
24 approves it today, we will commit all our efforts to get
25 everything done quickly. We're not going to try to slow walk

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1 anything. We're going to try to get dollars out as quickly as
2 possible, if Your Honor approves it today.

3 THE COURT: Okay.

4 Ms. Villacorta, do you want to be heard for the U.S.
5 Trustee? You also did not oppose it. You said you want more
6 information.

7 MS. VILLACORTA: Right.

8 THE COURT: Have we picked everything on your list
9 there?

10 MS. VILLACORTA: Okay. So good morning, Your Honor.
11 Marta Villacorta for the record, on behalf of the United States
12 Trustee.

13 So the United States Trustee did file a response, just
14 requesting additional information.

15 THE COURT: Right.

16 MS. VILLACORTA: It's not in any way an attempt to
17 somehow -- it's not a roadblock.

18 THE COURT: I didn't take it as one.

19 MS. VILLACORTA: Okay, just for the record. And in
20 response to your question about being involved with respect to
21 the plan administrator, the United States Trustee is not
22 seeking to be involved with the selection of the fund
23 administrator.

24 THE COURT: Okay. Because you always -- you agree,
25 it's not an examiner.

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1 MS. VILLACORTA: I do agree. I think this is
2 ultimately something that should be left up to the parties, the
3 debtors and the committees, obviously with the Court's approval
4 on how the funds will be disbursed, and et cetera. So those
5 are my comments.

6 THE COURT: Yeah, let me repeat what I just said. If
7 the principal players here agree, that's fine. I'm not going
8 to second guess it unless, you know, I know that the person is
9 a convicted felon, which I don't think is going to be the case.
10 And if they don't agree, and they say you pick one, I'll pick
11 one. I mean, I will do it in a minute, and -- but I will make
12 sure that, again, the process goes forward quickly.

13 So you don't want to be even a party in the --

14 MS. VILLACORTA: Right.

15 THE COURT: How about in the --

16 MS. VILLACORTA: Do not participate, right.

17 THE COURT: -- how about in the discussions that,
18 let's say we get to that point where the administrator is
19 identified, do you want to have a role where there's a further
20 discussion on what the ground rules are for the eligibility and
21 payment, and so on?

22 MS. VILLACORTA: Like I said before, Your Honor, I
23 think this is really something that should be left up to the
24 parties.

25 THE COURT: Okay. Okay.

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1 MS. VILLACORTA: Okay.

2 THE COURT: Thank you very much.

3 MS. VILLACORTA: Thank you.

4 THE COURT: All right. I've kind of lost track of my
5 list, so I will just call counsel in order that want to be
6 heard. Do you want to be heard? Are you standing up to be
7 heard?

8 MR. TROY: Thank you, Your Honor. For the record,
9 Matthew Troy, Department of Justice, Civil Division, on behalf
10 of various federal agencies involved in this case.

11 We don't oppose the motion, Your Honor. I just wanted
12 to make Your Honor aware, if he's not already, and all the
13 parties present, that there is already a robust assistance
14 program from the federal government for these victims.

15 THE COURT: That's the FEMA program, right?

16 MR. TROY: The FEMA program, and potentially, I don't
17 know for certain, SBA disaster guaranteed loans.

18 I rise only, Your Honor, to raise the issue that under
19 these programs, if there is a duplication of assistance, there
20 is a possibility of triggering a potential right of recovery --

21 THE COURT: Yeah.

22 MR. TROY: -- against disaster --

23 THE COURT: No, I'm aware of that.

24 MR. TROY: -- recipient --

25 THE COURT: And it was very helpful what I got about

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1 that. And that's what happened with the 2015 fire, right?

2 MR. TROY: I don't know for certain, Your Honor, but
3 it's possible. I can't say. I don't know. I didn't discuss
4 the 2015 fire with my clients.

5 But we did raise this concern before the motion was
6 filed with PG&E, and they agree as part of the proposed order
7 to have in there that the administrator would consult with
8 the -- with FEMA in developing the criteria to avoid this
9 problem.

10 So I just wanted to make everyone aware that
11 duplication is potentially an issue but we are going to make
12 efforts to avoid it.

13 THE COURT: Okay. Thank you very much.

14 MR. TROY: Thank you.

15 THE COURT: All right. We did have some opposition or
16 some responses from others but if no one wants to be heard,
17 I'll go back to Mr. Karotkin, and see if he wants to have any
18 closing comments.

19 Mr. Karotkin?

20 MR. KAROTKIN: Thank you, Your Honor.

21 THE COURT: Do you care what section I --

22 MR. KAROTKIN: No.

23 THE COURT: -- make reference to here?

24 MR. KAROTKIN: I don't. I'm -- as I said, the debtor
25 is anxious, and willing, and ready to move forward with the

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1 fund. We agree with your suggestion that we work with the two
2 committees to get the administrator in place, and agree on any
3 appropriate procedures, and we will commit to do so
4 immediately.

5 I'm not sure what Mr. Julian was asking you to do. I
6 think he was asking you to, in effect, issue some sort of a
7 declaratory judgment on his view of the law. I don't think
8 that's appropriate. I think maybe he was trying to get you to
9 enter an order, so he could take some sort of an appeal to
10 force us to put more money up.

11 THE COURT: I don't know.

12 MR. KAROTKIN: I don't think that's appropriate. If
13 he wants declaratory relief, he should bring it by appropriate
14 procedure. As I said, we would ask that you grant the motion
15 so we can move forward.

16 THE COURT: Mr. Julian, I mean, again, just tell me --
17 you asked me to -- you want me to make findings. If I don't
18 make findings, tell me what you want me to do. Let's start
19 with the following proposition, that you're here to get me, at
20 the minimum, to get that hundred million out on the way to your
21 constituents.

22 What -- how do you want me to get there that's
23 important to you because I am not inclined to do it. I'm
24 inclined just to use my discretion to grant the motion,
25 overrule the objections, as long as these safeguards that you,

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1 and presumably your committee members will be parties to,
2 selecting -- selection, and development of criteria. So what
3 else is there more that you want me to do?

4 MR. JULIAN: One item, Your Honor. We would like you
5 to order that the administrator be chosen by the parties within
6 five days or it will come back to you to pick; time is of the
7 essence.

8 And secondly, I made my request for findings and
9 rulings on the legal points --

10 THE COURT: Yeah, but I just want to --

11 MR. JULIAN: -- as part of my argument.

12 THE COURT: -- I just wanted to clarify it. I mean,
13 if I -- I mean, if you were drafting the order, what would it
14 say? I mean, if -- look --

15 MR. JULIAN: For the 105 million, or for what I
16 wanted?

17 THE COURT: No, I'm overruling --

18 MR. JULIAN: I get it.

19 THE COURT: -- the request that you order the debtor
20 to pay more than it volunteered, and for the reasons I stated
21 at the outset, I don't know of any legal authority that would
22 allow me to do that. Do you want me to overrule that request
23 formally, and form an order?

24 MR. JULIAN: I think you've -- I think you've rejected
25 my legal arguments and --

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1 THE COURT: I did.

2 MR. JULIAN: -- we request that with respect to your
3 order approving the 105-million-dollar of funding requested by
4 the debtor, that you make two rulings: that the administrator
5 report solely the name and the dollar amount to PG&E so that it
6 can evaluate credits and offsets and not the underlying
7 information that may chill the application process. That's --

8 THE COURT: Well, keep in mind -- and maybe you said
9 it in your papers, and you were very thorough --

10 MR. JULIAN: I did.

11 THE COURT: -- and I mean, Mr. Julian, I simply can't
12 process hundreds and hundreds and hundreds of pages. I have to
13 understand the theory.

14 And so if you were telling me that the debtor has
15 tried to get from your constituents signatures on papers that
16 you are bothered by, I got you.

17 What I was hearing is that they wouldn't even be able
18 to solicit even the kind of information that would have to be
19 on a proof of claim. You know, a proof of claim would say who
20 you are, what your claim is, what the nature is, what credits
21 you have against it.

22 You don't have to put on a proof of claim, and by the
23 way, I hope the governor does something. That's not --

24 MR. JULIAN: I would phrase it this way. That we have
25 no objection and believe it's proper for the administrator to

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1 submit the name of the applicant and the amount paid from the
2 fund to PG&E and the committees.

3 And secondly, that the administrator determine, after
4 listening to our explanations of mischief with respect to
5 discovery, that if the administrator wants to submit more, the
6 administrator should take into account our considerations,
7 because we think more, in this case, creates mischief.

8 THE COURT: Well, let's take the example of FEMA.
9 What if one of the victims who -- in your constituency,
10 believes that she's entitled to 5,000 dollars, and but she also
11 received -- because of a loss of house -- again, I don't want
12 to pretend that I can imagine what any of them have gone
13 through. So I'm just trying to quantify it much like you were
14 quantifying the building permit in Walnut Creek.

15 Suppose this claimant has a good case for getting
16 5,000-dollar short-term entitlement here, but she got 1,000
17 dollars from FEMA. The form should say I got 5,000 -- I mean,
18 I want 5-, but I got 1-, so I want 4-, right? Whatever the
19 form would say. It should reflect a credit coming from another
20 source, right? Why wouldn't it?

21 MR. JULIAN: Yes, the administrator should work with
22 FEMA to make sure there's no duplication of loss of benefits.

23 THE COURT: Same with insurance benefits. In other
24 words, Victim A has no insurance; Victim B has received from
25 her insurance company some kind of temporary housing

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1 arrangement. Why wouldn't the administrator need to make sure
2 that there isn't overcharging, if you will?

3 MR. JULIAN: Well, there's an interesting answer to
4 that. I don't want to get too far afield.

5 The administrator is going to develop the criteria.
6 We trust the administrator.

7 THE COURT: Right.

8 MR. JULIAN: We have agreed on a similar one to the
9 debtors and we have agreed to one, but there are others in --

10 THE COURT: Okay.

11 MR. JULIAN: -- in consideration.

12 THE COURT: Okay.

13 MR. JULIAN: The technical part about your question,
14 though is that --

15 THE COURT: That's fine.

16 MR. JULIAN: -- under the debtors' motion, even
17 victims who are insured, if they establish other special needs,
18 can make an application. That's their motion. We haven't
19 objected to that.

20 What I think you're saying is the administrator should
21 look at of this; and all I'm saying, Your Honor, is the only
22 thing that should be reported to PG&E, the debtor in this case,
23 is the name of the applicant and the credit. Everything else
24 dealing with FEMA, the administrator, and the applicants,
25 should be shared among those people.

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1 THE COURT: I guess I'm having trouble pretending
2 that -- I mean, I've having trouble figuring out why this
3 shouldn't be a mirror image of what would happen if we had a
4 confirmed plan today and we had a claims bar date tomorrow, and
5 the victims would file a claim and the victims would say I'm
6 entitled to this amount of money. And by the way --

7 MR. JULIAN: I see.

8 THE COURT: -- I have these other kinds of credits.

9 MR. JULIAN: Yes. And our claims database that we're
10 going to be exchanging in a mutual discovery plan, we will
11 provide that information with respect to these applicants who
12 receive assistance from this program.

13 THE COURT: But look, you could have somebody who lost
14 a home and you think well, oh. But what if that person
15 happened to have another home on Pacific Heights? But next
16 door is somebody who not only lost a home, but is living in a
17 trailer without running water? I mean, it seems to me it would
18 be clearly obvious that the former should get nothing, at this
19 point, and the latter should get as much as the pot would
20 permit.

21 And there are no -- I mean, that's not a form; that's
22 just the right thing. And they -- the claims administrator --
23 I mean, the administrator has to have --

24 MR. JULIAN: Yes.

25 THE COURT: -- some way of making sure that we

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1 aren't -- I'm going to use the wrong word here. I don't mean
2 to say overcompensating, but prematurely compensating somebody
3 who is less needy than somebody who, right now, needs it in a
4 more dramatic way.

5 MR. JULIAN: I have miscommunicated.

6 THE COURT: Okay.

7 MR. JULIAN: Everything that you just said is perfect
8 with me, with respect to the administrator, FEMA, and the
9 applicant sharing all that information so that all those
10 horribles don't happen. We agree.

11 MR. KAROTKIN: And Your Honor, why should --

12 MR. JULIAN: And we want them to do --

13 MR. KAROTKIN: -- why should material --

14 THE COURT: Let --

15 MR. KAROTKIN: -- on an application, which should be
16 factual material, why is that a secret?

17 THE COURT: Yeah, I don't know. I think the only
18 thing that occurred to me is maybe -- maybe there's a reason
19 not to have it showing up in the Chico newspaper that Mr. So-
20 and-So got 1,000 dollars from PG&E, under wildfire fund.

21 MR. KAROTKIN: I will assure you the debtors will not
22 disclose it to the Chico newspaper.

23 THE COURT: Well, I'm picking --

24 MR. JULIAN: You have only one piece of evidence in
25 front of you that answers this question. Everything else is

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1 speculation.

2 THE COURT: I know.

3 MR. JULIAN: The evidence is that I submitted what
4 good lawyers and PG&E good directors and officers did in Butte
5 2015. They said in that notice to the victims, we will not use
6 the information in your application --

7 THE COURT: Now, I know you said that. And as soon as
8 I --

9 MR. JULIAN: And there's a --

10 THE COURT: -- as soon as I read it --

11 MR. JULIAN: -- the answer is, it's obvious --

12 THE COURT: -- I thought they weren't in bank -- the
13 bankruptcy rules are different.

14 MR. JULIAN: We are going to provide that information
15 in the claims process, Your Honor.

16 THE COURT: Okay, look, I'll tell you this way.

17 First of all, Mr. Karotkin, is it reasonable to think
18 that five days is workable to get at least an administrator
19 identified?

20 MR. KAROTKIN: It's fine with us. In fact, I've told
21 you, we've agreed with the tort committee. It's just the
22 matter of speaking with --

23 THE COURT: Mr. Dunne is that reasonable --

24 MR. KAROTKIN: -- Dunne.

25 THE COURT: -- I mean, because I -- listen, I'd rather

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1 not put it in an order. I'd rather say get it done and if I
2 don't get it done, I'll have an emergency motion or phone
3 conference and say what in the hell is going on. And I'll say
4 it that way too.

5 MR. DUNNE: That's fine, Your Honor. We'll get it
6 done within five days.

7 MR. KAROTKIN: Thank you, Your Honor.

8 THE COURT: But I'm saying, I'm not making it part of
9 the order, okay?

10 MR. KAROTKIN: Fine.

11 THE COURT: It's not in the order. So all right,
12 look, let's review the bidding here.

13 I'm not -- I'm not going to make findings and
14 conclusions. I'm going to sign an order that I'll ask Mr.
15 Karotkin to circulate to the principal counsel here, that will
16 use my usual: for the reasons stated on the record, the motion
17 and the -- use the proper term of PG&E's motion -- is granted,
18 and that the parties are to proceed forthwith to select an
19 administrator and work with that administrator to prepare
20 appropriate guidelines and procedures that the Court can
21 approve on a final basis at some point.

22 And I'm not going to -- I'm making the statement that
23 my reasons are that the bankruptcy laws -- excuse me -- that
24 the payments are being made to victims for reasons that are
25 clear to them, but they are -- they would not be paid -- how

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1 can I say this correctly?

2 The payments are to people who are entitled to payment
3 under the bankruptcy laws, not because they're entitled because
4 they've already filed a proof of claim, but because they are
5 victims of something that occurred before the bankruptcy, and
6 then for bankruptcy terminology, they are holders of pre-
7 petition claims, albeit in some cases, perhaps contested and in
8 some -- probably more cases unliquidated, and frankly probably
9 not contingent at all.

10 And those are the bankruptcy terms. And then we'll
11 leave it to the administrator, who will then forthwith meet
12 with the principal players and come up with a procedure and get
13 it in place.

14 So I'm not -- I am expressly not authorizing the
15 debtor to make these payments because these claims arose post-
16 petition. They arose pre-petition. And to the extent that
17 someone gets money under this program who is not a pre-petition
18 creditor or never could be, that person is not entitled to the
19 money, and there may be a need to even have a disgorgement at
20 some point in the future.

21 These are not things that have to be in the order.
22 These are things that are just are going to work. And so I'll
23 leave it at that.

24 With that, unless there are any questions, I'm going
25 to conclude the hearing, and I'm going to thank all counsel for

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1 their spirited presentation.

2 And I appreciate, for the folks that came down from
3 Paradise an everything else, I appreciate your participation in
4 our hearings, and I hope you'll feel that you got your day in
5 court, and your lawyers certainly adequately represented your
6 interests. And I appreciate their advocacy and efforts.

7 So we'll call it a day. Thank you.

8 IN UNISON: Thank you, Your Honor.

9 (Whereupon these proceedings were concluded at 12:01 PM)

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C E R T I F I C A T I O N

I, Suzanne Baldridge, certify that the foregoing transcript is
a true and accurate record of the proceedings.

Suzanne Baldridge

/s/ SUZANNE BALDRIDGE

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Phoenix, AZ 85020

Date: May 23, 2019

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